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Burma-U.S. Relations

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Summary

According to human rights reports by the U.S. State Department and private organizations, Burma's poor record worsened in 2004, 2005, and 2006. These reports have laid out a familiar pattern of government and military abuses of civilians: killings, torture, rape, arbitrary arrests, and forced labor. Key factors in the worsening situation were the arrest of opposition leader Aung San Suu Kyi in 2003, and the arrest of Burmese intelligence chief, Khin Nyunt, who favored negotiations with Suu Kyi, in 2004, and the launching of a new Burmese military offensive against Karen insurgents in 2006. Power in the ruling State Peace and Development Council (SPDC) is vested in 75-year-old General Than Shwe and General Maung Aye. The SPDC, which changed Burma's official name to Myanmar, unexpectedly moved Burma's capital from Rangoon and recessed a constitutional convention.

The SPDC appears unaffected by sanctions imposed by the United States and other Western nations. Western sanctions are uneven with U.S. sanctions being the heaviest. Burma has been able to expand exports of a variety of commodities. Burma earned an estimated $1 billion in exports of natural gas in 2004 and 2005, and earnings could grow substantially from new natural gas production. China and India have signed deals with the SPDC for substantial purchases of natural gas. Burma also reportedly earns between $1 billion and $2 billion annually from exports of illegal drugs, heroin and methamphetamines. Most of these earnings go to drug traffickers connected to the Wa and Shan ethnic groups; but Burmese military officials have means to gain a substantial share of these earnings. Burma's fellow members in the Association of Southeast Asian Nations (ASEAN) have grown more critical of the SPDC, but they continue to oppose sanctions. Chinese diplomatic support of the SPDC and military and economic aid is very important: $2 billion in military aid since the early 1990s, $200 million annually in economic aid, substantial foreign investment, and a huge influx of Chinese migrants into Burma, mainly traders. China's role is a prime justification for India's "constructive engagement" policy toward Burma. Burma has reestablished diplomatic relations with North Korea amidst reports of growing military cooperation between them.

Since 1988, the United States has imposed a wide range of sanctions against Burma, including congressional passage in 2003 of the Burma Freedom and Democracy Act (P.L. 108-61) banning imports from Burma (renewed by Congress in 2006). The Bush Administration proposed that the U.N. Security Council consider the Burma situation and introduced a resolution in the Council. China and Russia vetoed the resolution in January 2007, a major setback for U.S. policy. The Administration also faces limits on its flexibility in using sanctions in U.S. diplomacy. Contacts with the SPDC are extremely limited since the fall of Khin Nyunt. In the past, the Administration has indicated that it would use sanctions to initiate a "road map" process with the SPDC, but Congress appears to be against a "road map" approach and stated in the Burmese Freedom and Democracy Act that the full range of U.S. sanctions should remain until the SPDC ends human rights abuses and makes fundamental political concessions to Aung Sann Suu Kyi.

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Burma's "Extremely Poor Human Rights Record" and Political Deterioration

In 1988, the Burmese military established rule through a military junta (subsequently called the State Peace and Development Council — SPDC). One of its first acts was to change the official name of the country from Burma to Myanmar. However, the U.S. government has continued to use "Burma" in official statements, and this report will use "Burma" unless statements are quoted using "Myanmar."

Since 1988, numerous reports, including the annual reports of the U.S. State Department, have described extensive abuses of human rights perpetuated by the SPDC and the Burmese military. These assessments have changed little over the subsequent 17 years. The State Department's human rights report for 2004 concluded that the SPDC has an "extremely poor human rights record"; and the 2004 and 2005 reports asserted that the situation had "worsened" in each year. Numerous reports throughout 2006 indicate a continuation of this trend. The Department's reports and reports of private groups have laid out a familiar pattern of government and military abuses: extra-judicial killings, torture, rape, arbitrary arrests for political reasons, forced impressment into the service of the military, forced labor and relocations, and tight restrictions on the press, speech, and assembly. The 2006 World Report of Human Rights Watch stated that there was no improvement in the situation, including the virtual solitary confinement of the leader of the opposition, Aung San Suu Kyi, in her home (which the SPDC extended for one year in May 2006 despite an appeal from United Nations Secretary General Kofi Annan); restrictions on her National League for Democracy (NLD); and the incarceration of over 1,000 political prisoners (including the house arrest of NLD deputy leader Tin Oo).[1] However, while extending Aung San Suu Kyi's house arrest, the SPDC did allow a United Nations envoy to meet with her twice in 2006, the first foreign official allowed to meet with her since early 2004.

A new opposition challenge to the government arose in September and October 2006 when a group of former political prisoners and student activists proclaimed an organization "1988 Generation," named after the massive pro-democracy demonstrations in 1988. It began to circulate and collect signatures on a petition calling on the SPDC to release all political prisoners. Leaders of the group claimed

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[1] "'No progress' on Burma rights." British Broadcasting Corporation, January 18, 2006. Myanmar freed 40 political prisoners — opposition. Reuters News, January 4, 2007.

at the end of October 2006 that they had collected 530,000. The SPDC arrested five leaders of 1988 Generation.[2]

Many human rights abuses reportedly are committed by the military against members of Burma's ethnic minorities. The government negotiated cease-fire agreements with 17 ethnic insurgencies in the 1990s; but three groups, the Karen, Karenni, and Shan have continued to fight. Ethnic minorities make up the bulk of an estimated 540,000 internally displaced people in eastern Burma and over 150,000 refugees who have fled across the border into Thailand. A large-scale Burmese military offensive against Karen insurgents throughout 2006 and 2007 reportedly has included burning of villages, forced relocations of civilians, mine-laying in civilian areas, and rapes.[3] Government policies reportedly are particularly oppressive against members of the Muslim Rohingya minority in western Burma, whom the SPDC has barred from citizenship.[4]

The worsening human rights situation has been influenced by the deteriorating political situation since 2002. It began with the physical attack by SPDC supporters on Aung San Suu Kyi and her followers in May 2003 and her subsequent house arrest. In October 2004, the SPDC arrested Khin Nyunt, chief of Burma's Defense Intelligence organization, and scores of his intelligence officials. Khin Nyunt had been the arm of the SPDC in dealing with foreign governments, including the United States and Burma's partners in the Association of Southeast Asian Nations (ASEAN). He reportedly had advocated that the regime open negotiations with the NLD and be responsive to some of the international criticisms of the SPDC. He reportedly had convinced the junta to release Aung San Suu Kyi from house arrest in April 2002, and his representatives had contacted U.S. officials, urging a positive U.S. response to the SPDC's decision. Khin Nyunt's fall from power apparently removed from within the SPDC the main element in favor of greater flexibility.[5] Since the purge, younger Burmese military commanders have assumed higher positions of power. Many have been field commanders in areas of reported high levels of human rights abuses. They have had little foreign contacts and little apparent awareness of foreign attitudes toward Burma.[6]

With Khin Nyunt's ouster, power in the SPDC is vested in 75-year-old Senior General Than Shwe and Vice Senior General Maung Aye, the army's commander-in-chief. Rumors of a power struggle between them have not been substantiated. Many

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[2] Myanmar junta accuses activists of terrorism. Reuters News, October 2, 2006. Myanmar activists pray for jailed colleagues. Reuters News, October 29, 2007.

[3] Faiola, Anthony. Misery spirals in Burma as junta targets minorities. *Washington Post*, November 17, 2006. p. A1.

[4] U.S. Department of State. *Country Reports on Human Rights Practices — 2005*. March 8, 2006. Chapter on Burma.

[5] Casey, Michael. "Burma muzzles Suu Kyi, her party." *Washington Times*, December 17, 2005. p. A10.

[6] Jagan, Larry. "Rangoon's generals prepare for the changing of the guard." *Bangkok Post* (internet version), October 12, 2005.

analysts believe that Maung Aye's power has increased since the ouster of Khin Nyunt.

In August 2003, shortly after the re-arrest of Aung San Suu Kyi, Khin Nyunt announced a "roadmap" to democracy beginning with the reconvening of a dormant constitutional convention. The convention convened several sessions, but it has produced no new constitution. The NLD boycotted the convention because of Aung Sann Suu Kyi's incarceration. The SPDC clamped a virtual news blackout on the convention; reports indicated that the regime limited free discussion of issues and proposals. SPDC sources have suggested that the convention will complete a constitution and that a referendum will be held on it by 2008. The conventional reportedly has drafted "basic principles" on a number of articles of the constitution, including the head of state, the executive, the legislature, judiciary, the armed forces, and the rights and duties of citizens. The draft reportedly gives the military formidable powers, including 25% of the seats in national and state legislatures, budgets and procurement practices outside the oversight of the national legislature, the power to declare states of emergency, and a description of the president that likely would restrict candidates to military leaders.[7]

In November 2005, the SPDC ordered government ministries to leave the capital city of Rangoon and move to a new designated capital of Pyinmana, 200 miles north of Rangoon. Foreign embassies were given no notice of the move. They were told to communicate with government offices by fax and that foreign governments could build new embassies after December 2007.[8] The move came as a new U.S. Embassy was being constructed in Rangoon and had been half completed.

There is no evidence of instability within the regime or any likelihood of a regime collapse. There have been several bomb blasts in Rangoon and Mandalay since 2002. It is unclear who carried out the bombings. They have been infrequent and have not been followed up by expanded armed actions by opponents of the regime. The purge of Khin Nyunt and his followers was carried out efficiently. The SPDC's suppressive policies prevent any viable political opposition from functioning. Armed opposition is confined to the three ethnic groups that operate along Burma's border with Thailand: the Shan State Army, whose armed strength probably is below 5,000; the Karen National Union (KNU) with an armed strength estimated at 4,000-6,000; and the Karenni National Progressive Party, with an armed strength estimated at several hundred. Khin Nyunt negotiated a provisional cease-fire with the KNU in 2004. However, since his fall from power, the chief of Defense Intelligence reportedly no longer coordinates SPDC policies toward the ethnic nationalities. Maung Aye appears to be in control of nationalities policies, and army field commanders have more authority. This probably explains the army's

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[7] Kazmin, Amy. Desperate Burmese willing to settle for small change. *Financial Times*, October 21, 2006. p. 7. Zin Linn. Burma question: so near, yet so far. Mizzima (internet version), January 10, 2007. Mizzima is a news agency run by Burmese journalists in exile.

[8] "Embassies can move to new Myanmar (Burma) capital in two years, says junta." *Thai News Service*, January 5, 2006. Sipress, Alan. "As scrutiny grows, Burma moves its capital." *Washington Post*, December 28, 2005. p. A1.

resumption of offensive operations against the Karen guerrillas, which reportedly has caused considerable hardship for Karen civilians.[9]

International Pressure Mixed With Foreign Support for the SPDC

The SPDC seems relatively unaffected by the economic and diplomatic sanctions placed on Burma by the United States, the European Union, Japan, and Australia. This was symbolized in January 2006 by the resignation of a United Nations envoy appointed to promote the democratization of Burma, whom the SPDC barred from visiting Burma after his last visit in March 2004. The situation was demonstrated in early 2006 when the SPDC expelled several foreign organizations that had been involved in political and human rights affairs, including the International Red Cross, which had been monitoring prisons, and the Swiss Centre for Humanitarian Dialogue. The SPDC also announced new restrictions on other foreign non-government organizations (NGOs), including the requirements that government officials must accompany NGO officials during travel within country, that the government must approve the hiring of local staff, and that the government must approve dealings between the NGOs and local banks.[10] The SPDC relented slightly in December 2006 when it rescinded an order for the International Red Cross to close five branch offices, but this did not include permission for the Red Cross to inspect prisons.[11]

There are five apparent reasons for the failure of international sanctions to pressure the regime to institute political reforms. The SPDC undoubtedly has benefitted by the lack of uniformity of the sanctions imposed on it. U.S. sanctions are the broadest (see section on U.S. Policy). European, Japanese, and Australian sanctions are more limited in scope and do not totally cut off trade and investment with Burma. The European Union (EU) has imposed a visa ban on Burmese officials, an arms embargo, a freeze on Burmese assets in EU countries, and a suspension of most-favored-nation trade treatment; but there is no ban on imports of Burmese products or EU private investments in Burma. Great Britain reportedly is the third largest private investor in Burma with investments valued at $1.4 billion in 2004. In 2005, the EU provided nearly $45 million in aid primarily for health, education, and the environment.[12] Japan has funded aid projects in Burma reportedly

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[9] "Major ethnic rebel groups in Myanmar." *Reuters News*, January 30, 2006. "End to Myanmar's ethnic insurgencies unlikely, say rebels." Dow Jones Commodities Service, January 31, 2006. "Myanmar offensive sees Karen refugees fleeing to Thailand." *Dow Jones International News*, May 2, 2006.

[10] Cropley, Ed. "Red Cross says Myanmar junta stops prison visits." *Reuters News*, February 27, 2006. "Myanmar refuses Swiss rights group new permit." *Reuters News*, March 3, 2006.

[11] Burma allows reopening of ICRC branch offices; National League welcomes moves. Democratic Voice of Burma, December 15, 2006.

[12] Brake, Z. "Messages of investment: acceptance of the Burmese regime." *BurmaNet News*
(continued...)

totaling more than $18 million in 2004, including hydro-electric power and the Rangoon airport. The Japanese government defines its aid as "humanitarian," but other governments, including the Clinton and Bush administrations, have countered that the aid is actually infrastructure aid.[13]

Even U.S. sanctions do not include the biggest U.S. business activity in Burma, the offshore natural gas production and the gas pipeline into Thailand constructed and operated by the U.S. UNOCAL Corporation (UNOCAL recently was taken over by Chevron) and its French partner, the Total Corporation. Estimates of the amount of revenue the SPDC acquires from this natural gas operation range from $400 million to $647 million annually.[14]

The second factor is the ability of Burma to expand exports of a variety of commodities to countries of Asia and beyond. These include natural resources such as natural gas, nickel, precious gems, and timber; shrimp and other sea-based products; and illegal drugs (heroin and methamphetamines). Reportedly, exports of textiles have picked up since the U.S. import ban of 2003, as Burma has found other markets in Asia and Europe.[15] Burma earned an estimated $1 billion in exports of natural gas in 2004 and 2005,[16] and earnings could grow substantially in the future from new natural gas explorations and production. The South Korean company, Daewoo, announced in August 2006 the discovery of a gas field off Burma's coast that could produce between 5.7 and 10 trillion cubic feet of gas that could lead to annual production for the next 20-25 years. The British Petroleum Statistical Review puts Burma's proven gas reserves at 19 trillion cubic feet. China and India have signed deals with the SPDC, which would make them primary customers for this gas and future discoveries of gas. The Chinese deal reportedly would have Burma supply 6.5 trillion cubic feet of gas to China over 30 years. In April 2006, Russia's Zarubezhneft oil company signed an agreement with the SPDC's energy ministry, which reportedly will open the way for Russian investments in Burma's oil and gas industry.[17] Investors must conclude profit or production-sharing agreements with

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[12] (...continued)
(internet), August 11, 2004. Rogers, Benedict. "Burma needs a stronger international effort." *Asian Wall Street Journal*, August 26, 2003. p. A7. Sieg, Linda. "EU presses Myanmar on prisoner release, dangles aid." *Reuters News*, May 6, 2005.

[13] "Japan's aid to Burma criticized as U.S. calls grow for international sanctions." *Carbaugh Daily Report*, October 13, 2004. Lederer, Edith. "U.S. plans to pursue U.N. resolution on Myanmar but Russia, China and Japan object." *Associated Press*, May 31, 2006.

[14] Economist Intelligence Unit, May 2005. Seekins, Donald M. *Burma and U.S. Sanctions: Punishing an Authoritarian Regime*. Asian Survey, May/June 2005. p. 452.

[15] Sipress, Alan. "Asia keeps Burmese industry humming." *Washington Post*, January 7, 2006. p. A11.

[16] Ibid. Malik, Mohan. "Regional Reverberations from Regime Shake-up in Rangoon." Asia-Pacific Center for Security Studies. January 2005. p. 6.

[17] Johnson, Tim. "While others push to free Myanmar, China takes a more profitable path." *Philadelphia Inquirer*, March 8, 2006. p. A2. "Myanmar keeps gas options open with India
(continued...)

state-owned corporations or with regional military commands, which insures a significant flow of money to the SPDC and members of the ruling, military-based elite.

Burma reportedly earns between $1 billion and $2 billion annually from exports of the illegal drugs, heroin and methamphetamines. This seems to be at least as much and possibly substantially more than the $900 million annually, which the U.S. Embassy in Rangoon estimated that Burma earned in the mid-1990s.[18] Most of these earnings, predominately foreign exchange, go to drug traffickers who produce and ship the drugs across Burma's borders. Most of the traffickers are connected to particular ethnic groups along Burma's borders with China and Thailand, such as the Wa and the Shan. However, Burmese military officials at various levels have a number of means to gain a substantial share of these earnings. Local military commands reportedly collect high government taxes on the drug traffickers as well as fees for military protection and transportation assistance. U.S. State Department annual international narcotics reports have stated that "there is no reliable evidence that senior officials in the Burmese Government are directly involved in the drug trade."[19] However, the SPDC allows and encourages drug traffickers to invest in an array of domestic businesses, including infrastructure and transportation enterprises. The SPDC reportedly gets start-up fees and taxes from these enterprises. Military officers sometimes are partners in them. The traffickers usually deposit the earnings from these enterprises into banks controlled by the military. Military officers reportedly deposit much of their drug-related money in foreign bank accounts in places like Bangkok and Singapore.[20] However, in 2005, the SPDC did shut down three banks allegedly due to drug-related money laundering.

The Burmese military has had an especially close relationship with the Wa tribe, including the Wa drug producers and traffickers. In a cease-fire agreement of 1989, the military allowed the Wa wide autonomy, including the maintenance of armed Wa military forces and the freedom to produce drugs. The Wa soon became a dominant factor in the heroin trade. In 2001, Burmese military intelligence officials and the Wa leadership reportedly concluded an agreement under which the Wa were encouraged to reduce their production of opium and heroin but were given a free

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[17] (...continued)
pact." *Reuters News*, March 8, 2006. "Russia, Myanmar agree to strengthen economic ties." *Dow Jones International News*, April 3, 3006. Battersby, Amanda. "Chinese in frame for Burmese gas." *Upstream News*, January 20, 2006.

[18] Europa Publications. *The Far East and Australasia 2005*. London and New York, Europa Publications. p. 718. Lintner, Bertil. "Burma: a blind eye to drugs." *Far Eastern Economic Review*, November 7, 1996. p. 88.

[19] U.S. Department of State. *International Narcotics Control Strategy Report. Volume I: Drug and Chemical Control*. March 2006. p. 244.

[20] Wren, Christopher S. "Road to riches starts in the golden triangle." *New York Times*, May 5, 1998. p. A8. Gelbard, Robert S. "Slorc's drug links." *Far Eastern Economic Review*, November 21, 1996. Davis, Anthony. "The Wa challenge regional stability in Southeast Asia." *Jane's Intelligence Review*, January 2003. p. 6.13.

hand to expand production of methamphetamine pills for export.[21] Opium production dropped from an estimated 2,500 metric tons in the mid-1990s to 953 tons in 2001 to just over 600 tons in 2002, and to 380 metric tons in 2005, according to U.S. estimates.[22] Nevertheless, at the same time, the Wa were expanding their production of methamphetamine pills; smuggling into Thailand rose from an estimated 300 million tablets in 1999 to 1 billion in 2003.[23] Wa earnings from methamphetamine sales was estimated at $300 million in 2002, and Wa earnings from heroin smuggling was estimated at $250-$300 million.[24] Reports on the 2001 agreement between the Burmese intelligence officials and Wa leaders assert that the agreement included profit sharing provisions, which give the military a share, possibly as high as 50%, of Wa earnings from drug trafficking.[25]

A third factor limiting the impact of international sanctions is the "constructive engagement" policy of Burma's fellow members in the Association of Southeast Asian Nations (ASEAN), which eschews sanctions and diplomatic pressure. Thailand has important economic interests in Burma, including $1.29 billion in private investments in 49 projects within Burma in 2004 and imports from Burma valued at $1.06 billion in the Thai FY2003-2004. Singapore's investments in Burma reportedly totaled $1.4 billion in 2004.[26] However, several ASEAN governments turned more critical of Burma after the re-arrest of Aung Sann Suu Kyi in 2003. This is due in part to the increasing democratization within these states, especially Indonesia, and Burma's disruptive influence on ASEAN's relations with the European Union and the United States. Malaysian and Indonesian officials have stepped up criticisms of the SPDC.[27] Members of ASEAN country parliaments have formed an ASEAN Inter-Parliamentary Caucus on Democracy in Myanmar. In 2005, ASEAN governments pressured Burma to either institute political reforms or give up its scheduled chairmanship of ASEAN in 2006. The SPDC chose to give up the chairmanship, another indication of its continued resistance to outside pressures. Malaysian Foreign Minister Syed Hamid Albar went to Burma in March 2006 as a

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[21] "Minority misuses Burmese land gift." *Far Eastern Economic Review*, December 20, 2001. p. 8. Jinakul, Surath. "Dangerous escalations." *Bangkok Post* (internet version), May 20, 2001.

[22] Mydans, Seth. "Small victories in recorded in Burmese war on drugs." *New York Times*, July 7, 2002. p. NE4. "Burma urges more US cooperation in war on drugs." *Agence France Presse* (Hong Kong), March 2, 2003. U.S. Department of State, *International Narcotics Control Strategy Report. Volume I: Drug and Chemical Control*. March 2006. p. 241.

[23] Jagan, Larry. "Fighting Burma's drug trade." *Bangkok Post* (internet version), January 19, 2003.

[24] Davis, Anthony. "The Wa challenge regional stability in Southeast Asia." *Jane's Intelligence Review*, January 2003, p. 12.

[25] "Wa and Burmese commanders strike a new deal." *BurmaNet News*, October 1, 2001. Jinakul, Surath. "Dangerous escalations," *Bangkok Post* (internet version), May 20, 2001.

[26] Brake, Z. "Messages of investment: acceptance of the Burmese regime." *BurmaNet News* (internet), August 11, 2004.

[27] "Indonesian foreign minister urges 'measurable' democratic progress in Burma." British Broadcasting Corporation, January 7, 2006.

special ASEAN envoy to discuss democratic reforms, but his visit accomplished little. The SPDC did not allow him to meet with Aung Sann Suu Kyi.

Despite diplomatic pressure, ASEAN leaders stressed to the Bush Administration that ASEAN assertiveness has limits and will not include economic sanctions against Burma. However, ASEAN took a first diplomatic step when its Secretary General publicly called on China and India to "take a larger role in encouraging Myanmar to speed reform measures."[28] Indonesian Foreign Minister Hassan Wiradjuda followed up with a statement on May 19, 2006, in Washington, D.C., that China, India, and South Korea should use their aid and investments in Burma "to make sure that Myanmar changes itself to be more democratic."[29] Nevertheless, Indonesia demonstrated the limits of ASEAN's assertiveness when it abstained in the U.N. Security Council vote in January 2007 on a U.S. resolution condemning the SPDC and calling for reforms. Malaysian Prime Minister Abdullah Badawi also expressed opposition to the U.S. resolution.[30]

The fourth and probably biggest factor is Chinese economic and military aid to Burma. China takes the position that political and human rights conditions in Burma are the "internal affairs" of Burma. The SPDC's Prime Minister, Soe Win, stated after his February 2006 trip to China that Chinese Premier Wen Jiabao had pledged China's unwavering support and said that Beijing would oppose the imposition of economic sanctions by the United Nations.[31] China fulfilled that apparent pledge when it vetoed the U.S. resolution in the U.N. Security Council in January 2007. China (and Russia) argued that despite Burma's internal problems, Burma does not constitute a threat to regional and international peace and security that would bring it within the purview of the Security Council. China reportedly has counseled the SPDC to moderate its behavior and has expressed concern over the flow of narcotics into southern China, but it claims to have minimal influence and shows no willingness to risk its expanding role in Burma over political/human rights issues.[32]

China has provided Burma with an estimated $2 to $3 billion in military aid since the early 1990s, which has enabled the Burmese army to expand from 180,000 to 450,000 in 2005. China was active in shipping weapons to Burma in 2006,

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[28] "Malaysia tells U.S. official ASEAN to seek 'acceptable' role on Burma." British Broadcasting Corporation, January 16, 2006. "S.E. Asian nations ask China, India, to prod Myanmar." *Reuters News*, March 30, 2006.

[29] Eckert, Paul. "Indonesia urges Myanmar trade partners to use clout." *Reuters News*, May 19, 2006. Wiradjuda said that his reference to South Korea was in reference to South Korea's recent investment activities in natural gas and construction.

[30] SE Asian leaders push Myanmar to reform, but softly. Dow Jones International News, January 13, 2007.

[31] Agence France Presse report, December 14, 2005. Statement by Chinese Foreign Ministry spokesman Liu Jianchao. Johnson, Tim. "While others push to free Myanmar, China takes a more profitable path," *Philadelphia Inquirer*, March 8, 2006, p. A2.

[32] Jagan, Larry. "Burma, China strengthen bilateral ties." *Bangkok Post* (internet version), February 15, 2006.

coinciding with the Burmese army's offensive against the Karens.[33] China's economic aid is estimated at $200 million annually, much of which goes into infrastructure, including electric power.[34] China is believed to be the largest foreign investor in Burma. A report by an expert at the Asia-Pacific Center for Security Studies, a research organization of the U.S. Pacific Command, estimated that China "controls more than 60 percent of the Burmese economy."[35] Visitors to Burma report a large Chinese economic presence in Burma from Mandalay northward, including an estimated one million or more Chinese migrants into Burma since 1995, mainly traders. China officially has been Burma's third largest trading partner, but there reportedly is a huge, informal cross-border trade that is unrecorded. The Burmese and Chinese governments projected bilateral trade reaching $1.5 billion in 2006.[36] The Chinese-Burmese natural gas deal, discussed earlier, undoubtedly will increase China's interest in supporting the SPDC. China also reportedly is planning the construction of oil and natural gas pipelines from Burma's coast on the Indian Ocean northward into China, through which Chinese oil purchased in the Middle East and Burmese natural gas could be transported to China rather than by sea through the Strait of Malacca and the South China Sea.[37]

China's growing role also is cited by Indian officials as a prime justification for India's "constructive engagement" policy toward Burma. This has included India-Burma agreements on Indian aid, trade, and counter-insurgency cooperation, and as stated previously, an agreement for Indian purchases of Burma's natural gas.[38] In 2006, India began to sell arms to the Burmese military.[39]

Another negative development is the reestablishment of Burma's diplomatic relations and military links with North Korea. Burma broke diplomatic relations with North Korea in 1983 after North Korean agents planted a bomb in Rangoon which killed 17 high-ranking South Korean officials. In April 2006, they reestablished diplomatic relations. It is known that since the late 1990s, Burma has purchased artillery and ammunition from North Korea, has sent military delegations to Pyongyang, and has received North Korean technicians at a Burmese naval base.

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[33] Democratic Voice of Burma broadcast, December 13, 2006.

[34] Cochrane, Joe. "Stubborn survivor." *Newsweek International* (internet version), March 21, 2005. State of Zarni, Chairman of the Free Burma Coalition, February 11, 2005.

[35] Malik, Mohan. "Regional Reverberations from Regime Shake-up in Rangoon." Asia-Pacific Center for Security Studies (internet version), January 2005, p. 8.

[36] Sipress, Alan. "Asia keeps Burmese industry humming." *Washington Post*, January 7, 2006. p. A11. Jagan, Larry, "Burma, China strengthen bilateral ties," *Bangkok Post*, February 15, 2006.

[37] Perlez, Jane. Myanmar is left in dark, an energy-rich orphan. *New York Times*, November 17, 2006. p. 1. Lam, Willy. "China's energy paranoia." *Asian Wall Street Journal*, July 30, 2004. p. A9.

[38] Cropley, Ed. "Myanmar junta leader to make historic India visit." Reuters News, October 21, 2004.

[39] Zaheer, Kamil. Indian arming of Myanmar fuels abuses — rights group. Reuters News, December 7, 2006.

North Korean ships and diplomats have been caught carrying heroin with Double U-O labels, a brand of heroin produced in the Golden Triangle region of Burma. There also are reports that Burma is interested in acquiring North Korean short-range surface-to-surface missiles and submarines, although no purchases have been confirmed. Observers, too, have speculated that Burma and North Korea might collaborate in developing nuclear facilities inside Burma, but there appears to be little hard evidence to substantiate this.[40]

A likely fifth factor is that the SPDC requires significant income, including foreign exchange, for a relatively narrow segment of Burma's population. Several hundred high-ranking military officers and their families are the core of the ruling elite. They reportedly are involved in many business ventures and manage state corporations that regulate and enter into partnership agreements with private companies, including foreign investors.[41] Income earned domestically and from foreign transactions appears to be easily sufficient to ensure that the ruling class enjoys a high standard of living. Moreover, the priority given to the military in government budgets appears to provide adequate resources for rank and file military personnel.

U.S. Policy

Since 1988, the United States has imposed a wide range of sanctions against Burma. By 2004, these had terminated nearly all economic relations with Burma. The main sanctions currently are: a suspension of aid, including anti-narcotics aid; opposition to new loans to Burma by the international financial institutions; an executive order by President Clinton on May 20, 1997, prohibiting U.S. private companies from making new investments in Burma; and congressional passage of the Burmese Freedom and Democracy Act (P.L. 108-61) banning imports from Burma into the United States, affecting mainly imports of Burmese textiles. The United States has not had an Ambassador to Burma since 1992 when the Senate Foreign Relations Committee refused to confirm the nomination of an Ambassador because of the human rights abuses. The State Department also concluded that Burmese officials were profiting from groups that produced and exported heroin and other illicit drugs despite some SPDC moves to limit opium production and drug-related money laundering. Burma is on the U.S. list of uncooperative drug-producing or transit countries.

The Bush Administration gave Burma greater priority in U.S. diplomacy in 2005 into 2006. President Bush raised the issue with other heads of government at the APEC summit of November 2005. The Administration stepped up bilateral

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[40] Lintner, Bertil and Crispin, Shawn W. "Dangerous bedfellows." *Far Eastern Economic Review*, November 20, 2003. Selth, Andrew. *Burma's North Korean Gambit: A Challenge to Regional Security?* Canberra, Strategic and Defence Studies Centre, The Australian National University, 2004. p. 17-41.

[41] Harden, Blaine. "The new Burmese leisure class: army capitalists." *New York Times*, November 21, 2000. p. A3. Economist Intelligence Unit. *Country Profile: Myanmar (Burma), 2005*. p. 17, 21.

diplomacy with the ASEAN countries; and apparently for the first time, the Administration included Burma on the U.S. bilateral agenda with China. The Administration's major initiative was the effort to have Burma placed on the agenda of the U.N. Security Council. A report issued in mid-2005 by Nobel Peace Prize winners Vaclav Havel, former president of the Czech Republic, and Archbishop Desmond Tutu of South Africa proposed that the Security Council take an initiative on the human rights situation in Burma. The Bush Administration succeeded in securing a private Security Council meeting on Burma in December 2005. After the SPDC extended the house arrest of Aung San Suu Kyi in May 2006, the Administration proposed a formal resolution on Burma in the Security Council.

The U.S. draft resolution included the following points: Burma "poses serious risks to peace and security in the region"; the SPDC should release Aung San Suu Kyi and all political prisoners; the SPDC should allow full freedom of expression and allow the National League for Democracy and other political parties to operate freely; the SPDC should "begin without delay a substantive political dialogue, which would lead to a genuine democratic transition, to include all political stakeholders"; the SPDC should "cease military attacks against civilians in ethnic minority regions" and end human rights violations against ethnic minorities; the SPDC should allow international humanitarian organizations "to operate without restrictions" and cooperate with the International Labor Organization to eradicate forced labor.

Despite its diplomatic efforts, the United States suffered a major defeat in January 2007 when China and Russia vetoed the U.S. resolution in the U.N. Security Council and Indonesia abstained on the vote. Future U.S. diplomatic options appear minimal. U.S. sanctions-related options have been exhausted except for UNOCAL's natural gas pipeline investment. The Administration says that it would support the stated intention of the International Labor Organization (ILO) to refer the situation of forced labor in Burma to the International Court of Justice and to provide documents on forced labor to the International Criminal Court.[42] It is uncertain whether the International Court of Justice could mount any substantive measures against Burma, and the United States is not a member of the International Criminal Court. The Administration's stepped-up diplomacy with China on Burma may be the only realistic option to bring about a change in the status quo; but that no doubt would be a problematic, long-term process, given China's current support of the SPDC and its growing economic and security roles inside Burma.

The Administration faces limits on its flexibility in using sanctions in U.S. diplomacy. Contacts with the SPDC are extremely limited; with the downfall of Khin Nyunt, the Administration has the problem of finding a viable component of the SPDC for dialogue. In the past, the Administration has indicated that it would use sanctions to initiate a kind of "road map" process with the SPDC in which the Administration would respond to a positive measure by the SPDC by selectively lifting an individual sanction with the prospect of additional lifting of sanctions in response to additional positive measures by the SPDC. U.S. business groups and

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[42] Kessler, Glenn. "U.S. wants U.N. resolution on Burma." *Washington Post*, November 18, 2996. P. A18. ILO seeks to charge Myanmar junta with atrocities. Reuters News, November 16, 2006.

several U.S. academic experts support such a strategy. They argue that sanctions will not produce a total SPDC capitulation or a regime collapse and that U.S. sanctions are contributing to China's increased role in Burma. They assert that the United States should engage the SPDC.[43] When the SPDC released Aung San Suu Kyi from house arrest in 2002, the State Department discussed with Burmese officials a resumption of anti-narcotics aid. The Department reportedly considered recommending that Burma be certified as eligible for U.S. anti-narcotics aid in view of the SPDC's apparent success in reducing opium and heroin production. However, this initiative drew strong negative reactions from the press and especially from key Members of Congress, which reportedly resulted in its abandonment.[44]

In a statement of May 23, 2006, Assistant Secretary of State Christopher Hill indicated that the Bush Administration might consider a road map process if the SPDC took some specific actions. He mentioned the release of "the many hundreds, even thousands of political prisoners," the release of Aung Sann Suu Kyi, and "a resumption of dialogues" between the SPDC and the opposition. Hill suggested that if the SPDC took a positive measure on any of these issues, the Administration would initiate a positive measure in return: "If we see a movement in this direction, if we see an effort, of course we'll respond."[45]

However, sentiment in Congress appears to be against a "road map" approach and favors maintaining the full range of U.S. sanctions until the SPDC and the Burmese military terminate major human rights abuses and make fundamental political concessions to Aung Sann Suu Kyi in a comprehensive agreement for a democratic system. The Burmese Freedom and Democracy Act, which Congress renewed in the summer of 2006, specifies that the ban on imports from Burma and other restrictions are to remain until the President certifies to Congress that the SPDC has made major progress to end human rights violations; has released political prisoners; has allowed political, religious and civil liberties; and has reached agreement with the NLD for a civilian government chosen through democratic elections.[46] A sense of the Senate resolution, passed unanimously on May 18, 2006 (S.Res. 484), called on the Bush Administration to take the lead in securing a U.N. Security Council resolution calling for the immediate and unconditional release of Aung San Suu Kyi and other political prisoners, condemning the Burmese army's "atrocities" against the Karen, and "supporting democracy, human rights, and justice in Burma." U.S. human rights organizations and most Burmese exile groups appear

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[43] Steinberg, David I. "Engage Burma." *Washington Post*, July 15, 2003. p. A19. The National Bureau of Asian Research in Seattle issued a lengthy report in March 2004, which contained essays from seven leading critics of U.S. sanctions strategy. See *Reconciling Burma/Myanmar: Essays on U.S. Relations with Burma*, National Bureau of Asian Research, Seattle, 2004.

[44] Kessler, Glenn. "Reward for Burma's Anti-Drug Efforts Unlikely." *Washington Post*, December 18, 2002. p. A29. "Top Senators keep pressure on Burma." *Far Eastern Economic Review*, March 20, 2003. p. 8. Kessler, Glenn. "U.S. may take Burma off 'major' drug list." *Washington Post*, November 22, 2002. p. A25.

[45] "U.S. urges Myanmar to release prisoners." *Associated Press*, May 23, 2006.

[46] See also McCain, John and Albright, Madeleine. "A need to act on Burma." *Washington Post*, April 27, 2004. p. A21.

to back this approach and emphasized in 2006 the need for the United States to push for U.N. Security Council consideration of Burma.[47]

[47] For an example of he debate between critics and supporters of strong sanctions against Burma, see Foreign Policy in Focus' Strategic Dialogue of January 18, 2007, featuring statements by Professor David Steinberg of Georgetown University and Dr. Kyi May Kaung, a Burmese political analyst.

Figure 1. Map of Burma

Source: Map Resources. Adapted by CRS. (K.Yancey 5/4/06)

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