INTRODUCTION

Susan L. Levenstein

The military junta in Burma[1] is in full control these days. For two decades, the country's principal opposition group, the National League for Democracy (NLD), has struggled without success to topple the regime, and has now fractured into competing groups. Nor has the international community fared any better in its efforts to promote political change in Burma. Yet in today's evolving and increasingly globalized world, Burma's governing State Peace and Development Council (SPDC) has acknowledged that only by opening up to the outside world can it reap the benefits from its treasure trove of natural resources and, in turn, shed its image as a pariah state.

To achieve this, Naypyidaw[2] is working hard to attract foreign investment, specifically in the profitable sector of energy. Indeed, revenues from the sales of natural resources have enriched the military regime and deprived the general population. Burma's economy has benefited mainly from the global competition for energy resources between its two neighboring superpowers, China and India.[3] Unfortunately, none of the newly generated wealth for Burma is transferred to the people. As discussed later in this volume, Burma suffers from a "resources curse" in which the people have no access to the revenues generated from the export of the country's natural resources, as ultimately these revenues all get funneled to the military junta. The wide gap between the rich and the poor was especially conspicuous in the aftermath of Cyclone Nargis, which not only caused a high number of casualties and vast infrastructure destruction, but also nearly decimated the country's vital agricultural sector. Yet, the SPDC focused nearly all its efforts on re-establishing security and political

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Essays by Bradley O. Babson, Mary Callahan, Jürgen Haacke, Ken MacLean, Morten B. Pedersen, David I. Steinberg, Sean Turnell and Min Zin.
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stability, largely neglecting the rising humanitarian crisis. Its initial refusal of international aid underscored a persistent worry of a "foreign invasion" or a rare opportunity for foreign powers to exercise influence.

The SPDC is the ultimate survivor, having weathered years of internal and external strife. Its violent crackdown on the protests of the 2007 Saffron Revolution demonstrated its endurance and resistance to international pressure.[4] Furthermore, from Naypyidaw's standpoint, the timing of Cyclone Nargis could not have been more fortuitous. Shortly after the cyclone, the junta pushed through a referendum vote on a draft of the 2008 constitution that was ratified, according to government officials, by a 92 percent majority. The vote was a means by which the regime attempted to deflect attention from the devastating effects of the cyclone—and thus, from its incapacity to properly fix a declining economy.[5] By calling for a national election in 2010, Naypyidaw is trying to demonstrate its capability of running a "free and fair" election, though its credibility is undercut by the passage of election laws that prohibit political leaders who have previously served jail time to run for office—a move mainly targeted at Aung San Suu Kyi and other NLD members.[6]

Burma's upcoming election, now scheduled for November 6, 2010, raises a series of questions that this publication will address. Is there a way out of Burma's stasis? How can the average Burmese cope with a bifurcated economy that favors the wealthy few? Can society stand up to the state without retaliation? At this point, do notions of freedom and democracy as understood in the West even matter? Why should the United States get involved in Burma? Will economic and political conditions in Burma improve after the 2010 election? The following eight essays—arising from two 2010 conferences hosted by the Woodrow Wilson International Center for Scholars and organized by the Center's Asia Program—seek to address these questions and foster an informed discussion on how Burma may improve and eventually resolve its economic and political dilemmas.

In an overview of Burma's economy, **Sean Turnell**, associate professor of economics at Australia's Macquarie University, asserts that prospects for the remainder of 2010 are grim. The junta's claims of double-digit growth are unfounded. Even though Burma's gross domestic product has grown steadily yet modestly (at 2 to 3 percent per annum) through the sale of exported natural gas, Burma is still one of the poorest countries in the

world and the poorest state in Southeast Asia. This points to the military junta's neglect and mismanagement of the country's revenues, with most of the incoming wealth channeled toward Burma's elite class. Turnell characterizes Burmese macroeconomic policymaking as "arbitrary, erratic, and without expert input," pouring money into extravagant projects with little impact on improving the livelihoods of people. The SPDC's excessive spending and borrowing from the Central Bank of Myanmar have plunged the country into "entrenched inflation" and "monetary chaos." More specifically, the varying official and unofficial exchange rates of the Burmese *kyat* inhibit the conduct of honest business practices and encourage corruption. The health and education sectors have suffered the most, receiving less than one percent of GDP. The wide fissure between the rich and the poor produces a "dualistic" economy—formal and informal—in which most people rely on the informal economy (consisting mainly of subsistence agriculture) with no access to the international economy. The formal economy—the sectors of energy, raw materials, precious metals, and stones—is monopolized by the junta and its cronies. The refusal of the junta to accept international assistance in the aftermath of Cyclone Nargis has aggravated Burma's rural credit crisis. Even worse, growing interest in Burma's natural resources from abroad will only entrench Burma in its "resources curse." Turnell is doubtful that the 2010 election will help turn the economy around. If the junta is serious about redressing the country's economic ills, Turnell proposes it implement more transparency in the privatization of industries, unify the divergent exchange rates, liberalize rice trade and agriculture, and recapitalize rural finance to restore the rural credit system.

Ken MacLean, a professor of international development and social change at Clark University, writes about Burma's informal economy in the border regions, analyzing how the "entrepreneurial turn" (or entrepreneurship) there fuels private, indirect governance by the junta. In MacLean's field studies, he finds that the various armed insurgencies, not the SPDC, are in control of these discontinuous border areas where the informal economy has thrived. Therefore, the SPDC is obliged to "co-opt" these armed insurgents in order to indirectly "govern" these areas and undercut hostilities along the border.[7]

The SPDC has also focused on implementing economic development in these areas, giving rise to what MacLean deems the "entrepreneurial

turn"—the "conversion of previously contested spaces into commodified ones" where large-scale resource extraction of gems, precious metals, minerals, and tropical hardwood takes place. These ad hoc ventures are undertaken by a mix of the *tatmadaw* (Burmese armed forces) partnered with members of the insurgencies, or state-owned enterprises or local entrepreneurs with access to transnational networks. At times, *tatmadaw* battalion commanders may find themselves competing against each other or forming convenient alliances for the extraction of resources that are dwindling in quantity. In turn, although the SPDC may have much to gain from this form of indirect control, it has actually ceded centralized powers over these resources.

Paradoxically, although Naypyidaw indirectly gains control of these areas, the competition for resources extracted from them has fueled regulated, non-lethal violence, including the forced relocation of migrant workers from one location to another and the reinforcement of "ethno-racial hierarchies" within which ethnic Burmese are considered superior. These conflicts have also destroyed the very ecosystems that inhabitants depend on for economic and cultural survival.

In assessing the volatile nature of Burmese politics, **Mary Callahan** of the University of Washington explains how and why military rule has endured in Burma. She challenges the set of assumptions and inferences made in the "global discourse" about the dominant narrative that underestimates the capacity of the *tatmadaw* to "withstand domestic and external pressures." The political situation in Burma, according to Callahan, has been promoted by exile politicians and pro-democracy advocates as being on the verge of a collapse, discussed in terms of "penultimacy" or "on-the-brinkness," with the anticipated outcome of absolute regime change or capitulation. Callahan expresses skepticism on the reliability of this perspective.

For instance, claims of Burma's economic crisis, in her view, are exaggerated. She acknowledges Burma's economic duress affecting the vast majority of the population in terms of health, education, and welfare and its "bleak" outlook, but comparing this situation to the 1987 demonetization of the *kyat* (that brought down the Burma Socialist Program Party in 1988 and created widespread desperation), the current economic plunge is more manageable because it unfolded at a gradual pace. People also have the means to migrate abroad with the increase in transportation options.

Callahan also downplays the general perception of "universal revulsion" against the *tatmadaw* by the Burmese public, stressing that "anger and revulsion are not sufficient conditions to bring about regime change." In fact, the public has widespread access to information through various forms of media (print and radio) and the Internet despite government censorship. Callahan also finds little evidence that the *tatmadaw* is facing a succession crisis. Those members of the military who favor western-style civil, legal, and political rights or the positions promoted by Aung San Suu Kyi have already been purged at this point. Callahan also disputes the claim that this military regime is "anachronistic." She does, however, believe that there is some xenophobia within the military ranks against the West. In fact, the *tatmadaw* denounces Aung San Suu Kyi for "embracing neo-colonial overtures and the adulation of the Nobel committee and the western world." The *tatmadaw*'s fears are justified, Callahan asserts, by a string of foreign efforts to finance anti-state groups in Burma since the country's 1948 independence from the British. Callahan also doubts that advocacy from international organizations and pressure groups will have any influence on the *tatmadaw* in the long term. Finally, Callahan concludes that "inside activists" (who identify themselves as "democrats" but operate separately from the NLD) should be equally recognized as a viable opposition force as much as the NLD. Yet, those activists who are "insiders" within the military constantly find themselves "in a bind," observes Callahan, trapped between the military junta and promoting their own causes.

The repressive nature of state-society relations and continued strategic openings in Burma will continue to make opposition movements relevant, according to **Min Zin**, a Ph.D. candidate at the University of California, Berkeley, and a former student leader, who focuses on the shortcomings of the NLD as an opposition movement. Facing perpetual coercion and repression from the regime, any opposition must resort to "alternative courses of action like public mobilization and international advocacy" to remain active. Min Zin believes that the upcoming election will introduce changes in governance that should offer some breathing room to the opposition. Since the new government will operate from the two centers of power, namely, the military and the civilian government, this arrangement can produce an internal split that will offer an opportunity for "political realignment," empowering the opposition groups.

The NLD, in Min Zin's view, possesses resilience but has been unable to exercise full leverage because of its reluctance to "diversify its repertoire." Despite applying "methods of concentration" (protests, demonstrations, marches) and "methods of disruptive nonviolent intervention" to mobilize public support, the NLD has never managed to undermine state authority. Considering the two examples of the Four Eight Movement[8] and the 2007 Saffron Revolution, Min Zin notes that the students and monks who led those movements lacked leverage and appeal to workers and peasants, two large groups that could have strengthened the movements' mass support bases. In addition, Min Zin suggests that the NLD could have involved neutral third parties (even China) to play a mediating role. In sum, opposition groups should apply a more diverse mix of tactics and methods to "diffuse" the state's repressive operation. The NLD, as the main opposition force, can achieve so much more by using a "network-oriented" or grassroots approach instead of a "hierarchical" one to gain supporters.

Shifting the focus to Burma's foreign affairs, **Jürgen Haacke**, senior lecturer in international relations at the London School of Economics, delves into the complexities of Burma's varied interactions with the Association of Southeast Asian Nations (ASEAN). The responses of ASEAN member states to the SPDC's adoption of new election laws last March ran the gamut from strong disapproval to sheer indifference. But to demonstrate ASEAN's unity, Vietnam, the chair of the 16th ASEAN summit, issued a statement in April 2010 that was less critical of Naypyidaw than the more antagonistic stances expressed by Indonesia, the Philippines, Singapore, and Thailand. Haacke interprets Vietnam's statement as representing ASEAN's implicit consensus that Burma's upcoming election is considered "broadly legitimate," regardless of the NLD's non-participation.

Haacke recalls that prior to 2009, Burma's relationship with ASEAN was fairly contentious, especially during the time when ASEAN pressured Burma to accept Cyclone Nargis-related international aid. Yet by October 2009, ASEAN had softened its stance toward Burma, toning down its criticism of the SPDC, notably omitting the terms "transparency," "release of political prisoners," or any mention of Aung San Suu Kyi. Instead, ASEAN today stresses national reconciliation as Burma's top priority. Washington's new diplomatic approach toward Burma, Haacke judges, is one of the main reasons why ASEAN has softened its position. Vietnam, the current ASEAN chair and a non-democratic Southeast

Asian state, has contributed to shaping a friendlier environment for the SPDC in ASEAN, putting an emphasis on not interfering in the internal affairs of neighboring states. ASEAN also gives credit to Burma's team-player behavior in the association for endorsing the Bali Concord II, the ASEAN Charter, and the ASEAN Security Community. Not surprisingly, however, Burma and fellow non-democratic Southeast Asian states like Vietnam, Cambodia, and Laos have resisted the formation of the ASEAN International Commission on Human Rights.

In contemplating international strategies applied to Burma, **Morten B. Pedersen**, a research fellow at Australian National University's Center for International Governance and Justice, looks for solutions to improve Burma's human rights situation. He evaluates the three different approaches of ostracism, economic cooperation, and principled engagement that have been adopted by the international community toward Burma, none of which has succeeded, in part because of the "large scale of the task at hand," and also because those approaches have worked against each other. Petersen urges the outside world to look not for "what works," but for "what works best." Each approach must be assessed on its own terms, he argues.

Ostracism, mainly practiced by the West, has not worked as the junta remains firmly entrenched in power after 20 years. The SPDC's control over the economy renders it less vulnerable to internal and external pressures. Ostracism also brings a high cost to Western powers. The junta invokes a "nationalistic backlash" against the West for imposing sanctions that have weakened Burma's economy. The "collateral damage" to Burma includes inhibited growth in the export sectors like agriculture, fisheries, garments, and tourism, a valuable source of income and jobs for low-income households.

Economic cooperation exercised by Burma's Southeast Asian neighbors has achieved no more than ostracism and has incurred even higher costs. This approach is based upon the premise that economic cooperation can help modernize the country, setting the foundations for democracy, the rule of law, and socioeconomic well-being. Unfortunately, the SPDC's monopoly on international capital and mismanaged monetary policies has produced widespread corruption rather than economic and political progress.

Pedersen recommends principled engagement, the "middle way" between ostracism and economic cooperation, as the best approach. His "middle way" involves direct engagement with "human rights practitioners

and broader groups in society" and uses non-confrontational means to redress social grievances. This approach also fosters "positive synergies" between the different approaches. Unfortunately, this approach is weakened by a lack of support from the West and Burma's neighboring countries, leaving the burden to implement it on international organizations with limited leverage and resources. In Pedersen's view, principled engagement is more "theoretically attractive" than ostracism or economic cooperation. First, it can immediately alleviate the suffering of the Burmese people. Second, it is well-suited to the complex structural challenges of promoting human rights. Third, it offers opportunities to "enhance the benefits and lessen the costs" of sanctions and economic cooperation, fostering positive synergy among the approaches. In turn, Pedersen proposes keeping expectations low and working toward achieving small, incremental changes which will pose no threat to the regime, yet may transform the "configuration of power and interests" to bring about a bigger change.

David I. Steinberg, distinguished professor and director of Asian Studies at Georgetown University, examines the political circumstances that have influenced the United States' policymaking process toward Burma. The Obama administration's diplomatic strategy combines economic sanctions and practical engagement—opening a channel of dialogue with the Burmese junta, an approach fully endorsed by Burma's democratic opposition. In Steinberg's opinion, all U.S. presidential administrations since 1988 have invariably regarded Burma as an "outpost of tyranny." This is not surprising, given the instrumental role that human rights associations and the Burmese expatriate community have played in making the human rights issue the focal point for U.S. policymakers. Nonetheless, in recent years, Washington's human rights-centric focus on Burma has shifted to a humanitarian one following Cyclone Nargis.

In spite of general skepticism about the "free and fair" nature of the upcoming Burmese election, Steinberg points to the western media overlooking "a modest element of potential fairness"—vote counting will occur locally, rather than centrally, in the presence of members of registered participating parties. Moreover, the new constitution has also created local parliaments (*hluttaws*) at the state and regional levels—a move that is unprecedented in the history of Burmese politics. Steinberg is, however, pessimistic of any political gain that the opposition parties, including the NLD, can potentially make. He believes that the new election laws intend

to disenfranchise the NLD, but he also emphasizes that the NLD should not participate in these elections because it must not renege on its long-held position that the constitution and election laws are illegal.

Although Washington understands that it has little leverage over Burma, and that the sanctions policy is a failure, the administration still considers Burma, as Steinberg phrases it, "a boutique issue" in foreign policy—one that "appeals to a relatively small clientele . . . for which only a modest amount of political ammunition is to be expended." Nevertheless, Obama's political opponents still use any politically expedient opportunity to criticize his administration for the "failure to effect change" in Burma. This prompted the administration to renew economic sanctions against Burma on May 14, 2010, to alleviate the political pressure back in Washington.

Finally, **Bradley O. Babson**, a consultant to the United Nations and the World Bank on Burma, addresses ways in which the United States can successfully engage Burma's economy during the country's "transition" period of the next two years. In contrast to the other authors, Babson paints a more optimistic picture of Burma's new era of governance. He suggests that Washington and the international community should foster a "robust domestic policy debate" on the economy at all levels of Burma's newly elected government and offer technical assistance and capacity-building training to civil servants. He believes that the new constitution (ratified in May 2008) will hold elected officials more accountable about economic governance. The constitution's regulations for running the market economy will inhibit crony capitalism through the prohibition of monopolies and unfair pricing practices. It also more clearly defines the fiscal responsibilities of each governmental branch and their "inter-governmental fiscal relations." A "new high-level economics coordinating commission" will address financial management at the national and intergovernmental levels, and facilitate policy dialogue with the international community.

Babson also calls attention to Burma's next generation whom, he believes, U.S. policymakers should target. The United States should take the initiative to facilitate educational exchanges with Burma, a privilege that is, so far, accessible only to the elite. To make reform happen, the United States should invest in Burma's future leadership by building economic capacity and by supporting education and training for economic and democratic institution-building that will trigger reform in subsequent years. Organizations working on international development should develop and

support Burma's educational system. Babson also points out that improving the statistical base would encourage international financial institutions to be more involved in macroeconomic management, financial system reform, and carrying out larger-scale economic development projects.

Many people view the upcoming election as a possible turning point in Burma's history. Understandably, as it is the first general election to be held since 1990, it carries a great deal of historical weight. But as all the authors here agree, economic and political transition in Burma—if it were to occur—will be gradual. Some of the authors in this publication agree that Aung San Suu Kyi continues to dominate U.S. and international policy on Burma. Steinberg notes that the personal star appeal of Aung San Suu Kyi has emerged as the "most important determinant of U.S. foreign policy" toward Burma, leading many to view the Burma issue through the lens of the NLD. Callahan posits that the international community of Burmese pro-democracy supporters—exiles, celebrities, academics, advocates, and politicians—play a vital role in naming, blaming, and shaming the junta. As formidable as these efforts are, they still cannot (and have not) toppled the military regime. Haacke adds that many Southeast Asian nations have "mixed feelings" about Aung San Suu Kyi, viewing her as "insufficiently pragmatic," fearing that she will disrupt the political stability of the region.

Indeed, Aung San Suu Kyi is an icon among the Burmese diaspora and the West more generally. Her stature closely mirrors that of the Dalai Lama. They both command a steady following in their respective exile communities; champion the grievances of their people; strive for progress in human rights, freedom, and democracy; and pose a threat to their governing regime's political stability. Yet, unlike the Dalai Lama or even some previous female Asian scions of political royalty—Benazir Bhutto, Indira Gandhi, and Corazon Aquino—Aung San Suu Kyi is a woman physically incarcerated in her own home country. Part of her appeal derives from being the eternal prisoner, victimized by her stature as the sole descendant of Burma's founding hero, Aung San.

Aung San Suu Kyi's supporters worry that her appeal is fading among Burma's young generation. According to a July 11, 2009, article in *The New York Times*, the younger generation of the country harbors a general sense of indifference toward Aung San Suu Kyi.[9] This is not surprising, as they have lived through a time in which Aung San Suu Kyi was either abroad

or under house arrest. Their only acquaintance with her may be through history books or the media, with no close, personal contact resembling the close ties shared between her and the 88 Generation Students group. Paradoxically, the West, along with the Burmese diaspora, has propelled and maintained Aung San Suu Kyi's solid, iconic status.

So this leaves us with the question of whether Aung San Suu Kyi will still be relevant to Burmese politics in the coming decade. Perhaps, like the Dalai Lama, she will merely serve as a spiritual leader for a lost people for whom she has grown larger than life, perhaps more so than she can manage. So, in formulating policy, it is important to focus on the fact that Burma's problems entail more than just issues revolving around Aung San Suu Kyi's fate and welfare.

The editor of this volume expresses her gratitude to this collection's eight authors, who took the time from their busy schedules to draft the essays that made this publication possible. This collection of essays would not have been possible without the help of Asia Program associate Michael Kugelman, who provided his knowledge and editorial acumen in times of need.

NOTES

1. In analyzing the process of renaming Burma as Myanmar, Lowell Dittmer noted that it illustrates mainly a division between the nominalists ("those who consider names a matter of arbitrary convenience") and realists ("those who think names mean something"). According to Dittmer, "Myanmar" derives from the literary form of the Burmese language while "Burma" comes from its spoken form (Bamar is the language of the dominant ethnic group). Burma was the name used by the independence movement prior to 1948. Political naming came in the wake of the 1988 coup and the military regime decided in 1989 (in the Adaptation of Expressions Law) to refer to Burma as Myanmar and Rangoon as Yangon. The UN, ASEAN, China, India, and Japan are nominalists, while the United States, Australia, Canada, and the United Kingdom still remain among the realists. The realists still use Burma as an official name mainly to deny the legitimacy of the junta. In this text, writers have employed "Burma" and "Myanmar" interchangeably, and their choice of denomination reflects their own individual positions, not those of the Wilson Center. See Lowell Dittmer, "Burma vs. Myanmar: What's in a Name?" *Asian Survey* 48 (6) (November/December 2008): 885–888.

2. Naypyidaw has been the current administrative capital of Burma since November 2005.

3. Wai Moe, "Look East Meets Look West as India Hosts Than Shwe," *Irrawaddy News*, July 27, 2010. Access at http://www.irrawaddy.org/print_article.php?art_id=19067.

4. Andrew Selth, "Burma's 'saffron revolution' and the limits of international influence," *Australian Journal of International Affairs* 62 (3) (September 2008): 281–297.

5. Michael F. Martin, "Burma's 2010 Elections: Implications of the New Constitution and Election Laws," CRS Report R41218 (Washington, DC: Government Printing Office, 2010).

6. Some "renegade" members of the NLD have moved on to form the National Democratic Force party just so they may participate in the upcoming election. This move has met with disapproval from Aung San Suu Kyi and her loyal supporters. Currently, Aung San Suu Kyi is still serving a sentence of house arrest, which was prolonged by an unanticipated "visit" from American John Yettaw. The timing could not have been more ideal for the SPDC, providing it with a new excuse to marginalize Suu Kyi. However, this incident also prompted the United States to revise its course on its Burma policy and initiate diplomatic engagement combined with economic sanctions. See Donald M. Seekins, "Myanmar in 2009: A New Political Era?" *Asian Survey* 50 (1) (January/February 2010): 195–202.

7. Media coverage of the domestic struggle between the junta and the NLD has constantly overshadowed the dilemma of Burma's ethnic minorities and armed insurgencies in the country's border areas. With more than 100 minorities, Burma

is dominated by its ethnic majority, the Burmans who comprise around two-thirds of the total population. Today, the minority groups still operate autonomously, some in co-optation with the government, some not. The larger armed ethnic groups have sizable military forces. For instance, the Wa has at least 20,000–30,000 soldiers while the Kokang has a force of 4,000 strong. Some of the major ethnic groups have received financial support from abroad. The Kokang, Kachin, and Wa have ties with the Chinese while the Karen receives support from western Christian groups. They use this as leverage to bargain with the junta in maintaining their autonomy. For more information, see Chizom Ekeh and Martin Smith, *Minorities in Burma* (London: Minority Groups International, 2007).

8. The Four Eight Movement, or the "8888 Popular Uprising," comprised a series of protests and riots that started in Rangoon on August 8, 1988, then eventually spread to other parts of the country. This movement significantly solidified Aung San Suu Kyi's status as the leader of Burma's opposition.

9. *The New York Times*, "A Burmese Icon Tends a Flickering Flame," July 11, 2009, http://www.nytimes.com/2009/07/12/world/asia/12myanmar.html.