BURMA

D E B A T E

VOL. IV, NO. 2 MARCH/JUNE 1997

MONEY MATTERS

IN HIS OWN WORDS

ASEAN'S CHOICE

BURMA DEBATE

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Burma Debate, a publication of the Burma Project of the Open Society Institute, is dedicated to providing an ongoing forum for commentary and analysis of issues concerning Burma. The director of the Burma Project is Maureen Aung-Thwin.

Opinions expressed here are those of the authors and not necessarily of the publishers.

Burma was officially renamed Myanmar in 1990 by the ruling military government. This publication will keep to the term used prior to that date, except when individual authors choose otherwise.

Burma Debate is published six times a year. For comments or permission to reprint contents write to: P.O. Box 19126, Washington, D.C. 20036. FAX: 301-983-5011. E-mail: burmad@clark.net.

ON THE COVER: Original watercolor by U Win Tun (Mr. Burma).

COVER DESIGN
Elizabeth O'Keefe

LAYOUT & DESIGN
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THE ISSUES....

MONEY MATTERS

Is Burma's economy soaring or sinking fast? What the government has to say about it seems to differ significantly from the realities on the ground. Despite attempts to lure foreign investors and the promise of an influx of foreign exchange from the anticipated export of natural gas down the road, the annual income of the average Burmese is one of the lowest in the world, its currency loses value almost daily and the nation's external debt is steadily increasing. Are the hopes of a bright economic future being foreshadowed by the mounting financial difficulties presenting themselves today?

IN HIS OWN WORDS

For the past several months, a group of Burmese economists have been developing an economic strategy for Burma. The goal of the group, which is made up of economists residing both inside and outside the country, is to offer an apolitical approach for long-term, sustainable development. In this interview with *Burma Debate*, Professor Khin Maung Kyi discusses the strategy, the reasons the group came together and his views on what is needed for Burma's economic success.

ASEAN'S CHOICE

The Association of Southeast Asian Nations (ASEAN) has made the decision to expand from its current seven members by bringing in Cambodia, Burma and Laos this year. The vision of an "ASEAN 10" is one held dear by many Asian leaders and has been a goal of the group for some time. Questions remain, however: Are these three nations economically and politically ready for membership? What will be the consequences for two of ASEAN's key projects, the ASEAN Free Trade Area (AFTA) and the ASEAN Regional Forum (ARF)?

....THE DEBATE

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Waiting *for* Windfalls Won't Help Creditors

BY LOUIS KRAAR

"Drug traffickers have become the leading investors in Burma's new market economy and leading lights in Burma's new political order. Drug money is so pervasive in the Burmese economy that it taints legitimate investment. Since 1988, some 15 percent of foreign investment in Burma and over half of that in Singapore has been tied to the family of narco-trafficker, Lo Hsing Han."

— ROBERT S. GELBARD
U.S. Assistant Secretary for International Narcotics and Law Enforcement Affairs
February 28, 1997

With little visible means of support, Burma's sick economy bumps along. Hotels are rising in Rangoon with more rooms than can be filled with tourists, while shops sell imported liquor and other luxury goods. Part of this frothy activity is evidently fueled by repatriated profits from the drug trade, but the military regime also taps another source of funds — OPM, Other People's Money. This hoard helps the State Law and Order Restoration Council (known by the initials SLORC) muddle through, even though it cannot repay over $6 billion in other known international debts. China, for instance, provides substantial undisclosed credits for purchases of weapons. Other imports are being financed by Burma's neighbors and the foreign oil companies that are its most significant outside investors, Total of France and UNOCAL of the U.S.

SLORC has a strong appetite for money, but little means of repaying loans. The chances of its new creditors getting repaid soon, in fact, are bleak.

Like most activities of the secretive regime, its pinched financial condition is shrouded in opaque government accounts and misleading government statements. SLORC's newspaper mouthpiece, ***The New Light of Myanmar*** (September 13, 1995) claimed that Burma "will earn about

$40,000 a day" — equivalent to $164 million a year from anticipated exports of natural gas to Thailand. General David Abel, Minister for National Planning and Economic Development, claims the economy is growing briskly, but the U.S. Embassy in Rangoon reports that the legal economy provided an average income last fiscal year of only $113 per person — "far lower than was observed even in the world's poorest countries."

Penetrating the mysteries of Burma's financial condition requires looking beyond its own accounts to those of reputable international organizations. The Burmese government publishes nothing about its external debts, which can be seen more clearly in the World Bank's annual *World Debt Tables* published in 1996 and the International Monetary Fund's staff report of January, 1997.

External loans to Burma have steadily increased from a low of $61 million in 1991 to $134 million in 1994, according to the IMF. Moreover, Burma can no longer obtain the easy credit from development loans with 20-year terms and effect interest rates of almost zero. Instead, Burma is getting tougher seven-year loans at near-market interest rates, apparently from government export-financing agencies of such major trading partners as China, Taiwan, Thailand, Malaysia, and Singapore. The World Bank tables show that the Burmese government accumulated $450 million of accumulated export credit through 1994. Concludes an analyst who has studied the data: "It seems that trade credits from the governments of Asian trading partners are Burma's main financiers."

Burma has gained some debt relief from the Japanese government's Overseas Development Assistance. In the process, Tokyo conveniently ignored the charter of its own aid agency, which stipulates that loans should not be granted to governments with excessive defense spending. SLORC spends nearly half of its govern-

ment outlays on Burma's bloated military, while restraining investment in education and health. Nonetheless Burma got the debt relief, which is put into an account that its government can use for imports.

Burma's apparent policy is to make some interest payments only on debt owed to multilateral financial institutions. In 1994, the latest year for which figures are available, the Burmese government paid $173 million in external debt service. About $125 million of that nominal payment went to the Japanese and came back as debt relief from which Burma can import goods. The remaining $48 million just covered obligations to the Asian Development Bank and the World Bank. This suggests that trade creditors from neighboring Asian countries will have to wait their turn to be paid back, some day. How Asian creditors justify such loans to their own legislatures is an intriguing question that no one in the region seems to be asking, at least aloud.

Thailand, however, is beginning to worry about how its private traders with Burma will be paid. On a visit to Rangoon in May, Thai Prime Minister Chavalit Yongchaiyudh urged Burmese officials to protect Thai traders from foreign exchange risks. Those business people have complained about the risks inherent in having to deal with dual exchange rates: an official rate of 6 *kyat* per dollar and the more realistic rate of 170 *kyat* per dollar. Bangkok wants Burma to ease foreign exchange risks by moving toward a genuinely convertible currency.

Supposedly Burma will obtain plenty of cash once the offshore Yadana natural gas field starts exports to Thailand. Foreign investors and creditors are having a tough time now, but are being told to just hang on for another year or so. They probably must wait a lot longer than that. Even the start of gas flowing through the pipeline will not generate enough hard currency earnings to bail out Burma. Exactly how much hard currency the pipeline will deliver to Burma and when are far from clear, but many observers cite $400 million a year as the eventual net effect of the Yadana project on Burma's balance of payments. That figure, however, is not money that SLORC can bank on. It may include the import-substitution effects from an electric-generator and urea fertilizer facility that are yet to be worked out and financed, much less built.

SLORC, in fact, has already mortgaged much of its immediate earnings from the gas pipeline. Burma borrowed $7 million from UNOCAL in order to finance imports of urea fertilizer and must repay the American company, with interest. Likewise, Thailand has reportedly supplied millions of dollars worth of oil against Burma's future earnings. In addition the state-owned Myanmar Oil and Gas Enterprise reportedly has an option to buy 10% to 15% of the Yadana consortium's equity, and may pay for that investment from the Burmese government's first three years of receipts from a production-sharing agreement on the natural gas.

Consequently Burma may not gain anything close to $400 million a year until beyond the year 2001, and that sum would still be far from enough to cover its chronic balance of payments deficit. It totaled an estimated $575 million last fiscal year ending in March. The largest and fastest growing factor in that current account deficit is a merchandise trade deficit. Burma, of course, could severely restrict imports for five years until the Yadana windfall starts, but the government has limited ability to do that. So far SLORC simply ignores the balance of payments problem, hiding it in understated official statistics. Says one informed observer, "The SLORC appears to lack either the will or the political legitimacy to sustain an austerity campaign."

Not since the days of Indonesia's Sukarno regime in the 1960s has Southeast Asia seen such a profligate government with little capacity for rational economic management. No windfalls from either a gas pipeline or narcodollars can bail out Burma.

Not since the days of Indonesia's Sukarno regime in the 1960s has Southeast Asia seen such a profligate government with little capacity for rational economic management.

Louis Kraar is a senior editor of Fortune *magazine. The views expressed here are those of the author.*

Foreign Exchange Certificates

Who Really Benefits?

BY KYI MAY KAUNG

Visitors to Burma notice that everyone, even trishaw peddlers, want to be paid in U.S. dollars — or coupons called FECs, or Foreign Exchange Certificates. After all, the local currency known as *kyat* is hyper-inflated and loses value almost daily. As one Burmese told the author, the successful *mohinga* [soup with noodles] seller down the street "buys gold every evening because she's afraid of the money." The FECs are an attempt by the ruling

State Law and Order Restoration Council (SLORC) to overcome that lack of confidence in the currency — and provide a linchpin for a supposedly "open-market economy" as a medium of exchange and a store of value.

Like much in the Burmese economy, these paper certificates are merely a gimmick and not a solution for a chronic shortage of foreign exchange and a glut of *kyats*. In short, FECs are supported by little more than the government's ability to keep printing them and getting people to accept them as a proxy for U.S. dollars.

How long can the regime sustain the value of paper certificates that are increasingly hard to use for imports? Many observers believe that SLORC has created a bubble that will burst eventually.

This paper game started with economic reform in February 1993, when the regime allowed exporters to set up foreign-currency accounts in Burmese banks and use them to buy foreign goods as well as scarce local commodities. The aim was to create an exchange rate determined by the market, rather than using an official rate that greatly overvalues the *kyat*. To carry out this reform, the government began issuing FECs, which trade at 160 or 170 *kyat* per dollar vs. the official rate of about six *kyat* per dollar. According to an official source, the reason behind establishing the FECs was to promote tourism and to allow Burmese citizens to hold some sort of foreign exchange.

Each FEC note bears the claim that it is equivalent to a certain number of dollars, but that's not exactly true. The certificates are convertible only into local currency, not dollars. Private ownership of foreign currency, in fact, largely remains illegal. Instead, SLORC promises that once the certificates are deposited into a dollar-denominated bank account, they can be used to import foreign goods and services.

The few who are able to benefit from this scheme can import luxury cars or electric power generators that come in handy in a capital city with frequent blackouts. The elite who live in Rangoon and rent private homes to foreigners can deposit that money into foreign exchange accounts and — with government permission — buy such scarce goods as cement with FECs. They cannot use the foreign exchange to travel abroad or pass it on to someone else. In short, the FECs simply represent private freedom to import — once the holder gets government approval.

As SLORC's foreign exchange reserves have dried up, it has become increasingly difficult to cash in FECs. Indeed last August Burma's foreign exchange reserves fell to less than $200 million, just enough to cover one month of the country's merchandise imports. In response to the shortage of hard currency, the government simply printed more *kyat* and used them to buy more dollars from local private business people at the market exchange rate. The FECs, on the other hand, has traded at parity with the US dollar — therefore holding its value far better than the local currency. Holders of the certificates, however, have to wait much longer to get permission to use them for imports. How long can the regime sustain the value of paper certificates that are increasingly hard to use for imports? Many observers believe that SLORC has created a bubble that will burst eventually.

No one knows exactly how many FECs have been issued. Late last year the official word in Rangoon was that FECs made up nearly three percent of the currency that circulated at the market exchange rate. There are unofficial reports that SLORC may have printed more than twenty times as much of those paper certificates. Whatever exact numbers, Burma is in the paradoxical position of using FECs — a currency backed only by the freedom to import — while restricting the freedom to import. Does this make economic sense?

Kyi May Kaung holds a Ph.D. in Political Science from the University of Pennsylvania. She is a writer and poet and is currently a broadcaster at Radio Free Asia in Washington D.C.

REVIEW OF THE FINANCIAL ECONOMIC & SOCIAL CONDITIONS

of the Union of Myanmar

for 1995/96

EXCERPTS FROM A REPORT BY THE MINISTRY OF NATIONAL PLANNING AND ECONOMIC DEVELOPMENT

Introduction

With the return of normalcy, the State Law and Order Restoration Council had formulated the Four Year Short-Term Plan (1992/93 to 1995/96) with a view to accelerating social and economic development. Due to the close coordination at the central level as well as at various levels in the implementation of the plan, the annual plans, including the 1995/96 Annual Plan, exceeded their original plan targets. The primary focus of the Plan had been for the realization of the set economic objectives by giving priority to the agriculture sector, the mainstay of the economy and concurrently the development

of related sectors. With a view to developing a proper market-oriented economic system, assistance had been rendered for extensive participation of the private sector in the fields of production, services and trade. Endeavors had been made to improve efficiency of State enterprises while measures had been taken to promote mutually beneficial economic cooperation between State and private sector enterprises. Efforts have also been made to increase investments, essential for the long-term development of the economy not only by the State but also by the private sector. Moreover endeavors had been made for substantial increase in mobilization of domestic financial resources and inducement of foreign capital inflow and technical know-how. On account of taking multifaceted efforts, the targets of the Four Year Short-Term Plan had exceeded the original plan targets, thereby significantly improving the national economy and sectoral economic conditions.

Significant growth of the national economy was mainly due to the realization of mutually related economic activities such as remarkable progress in the productive, services and trade sectors, substantial rise in investments and promotion of exports annually.

Review of National Economic Condition

In the annual plan for 1995/96, the last year of the Short Term Plan, the gross domestic product (GDP) at 1985/86 constant prices was projected at K66,716 million while the performance according to the provisional data was K68,528 million achieving 102.7% of the target and realizing a growth rate of 9.8% over the previous year. The implementation of the Short-Term Plan as a whole surpassed the original target achieving an average annual growth rate 8.2% as against the target of 5.1% thereby creating favorable conditions for long-term economic development.

Significant growth of the national economy was mainly due to the realization of mutually related economic activities such as remarkable progress in the productive, services and trade sectors, substantial rise in investments and promotion of exports annually. During the Short-Term Plan period, the projected average annual growth rates were 5.4% for the productive sectors, 3.7% for the services sectors and 5.1% for the trade sector. The performance according to the latest figures was 8.9% for the productive sectors, 7.1% for the services sectors and 7.3% for the trade sector. This significant improvement was mainly due to the remarkable increase of the agriculture sector which registered an average annual growth rate of 8.8% and all-around development of other related economic sectors as well.

Trade

In the annual plan for 1995/96, the net services value of the trade sector was project at K14,721 million, while the performance according to the provisional data was K14,736 million fulfilling the plan target and achieving a growth rate of 8.6%. During the Four Year Short-Term Plan period, the trade sector was projected to increase at an average annual rate of 5.1% but exceeded the plan's target realizing 7.3%. The achievement was due to an increase in output of productive sectors and trade liberalization in internal and external trade.

In accordance with the market-oriented economic system, State, cooperative and private sectors have been participating extensively in the fields of internal and external trade activities. Regarding internal trade, the State economic enterprises undertook the procurement of paddy, beans and pulses, oil crops, cotton, jute, rubber, sugarcane and other crops and sold to consumers, cooperative societies and private entrepreneurs, distribution of domestic and imported goods on conventional as well as consignment basis and opened new depart-

ment stores and sales centers. In addition, joint venture corporations were formed jointly between State organizations and local and foreign entrepreneurs. Workshops, seminars and training were conducted in order to improve commercial capability and to acquaint and familiarize private entrepreneurs and organizations with trade activities. Trade fairs and cooperative market festivals were held with the aim of enhancing markets for domestic goods. Encouragement and supportive measures were taken for the enhanced development of the commercial activities of the private sector. By December 1995, the members of private enterprises and entrepreneurs comprised 5,059 exporters and importers, 1,733 business representatives, 5,840 Myanmar Limited Companies, 1,085 private partnership firms, 567 foreign companies and branches, and 81 local and foreign joint ventures. Moreover, 32 regional and tradewise chambers of commerce and industries were also formed.

Encouragement and supportive measures were made for active participation of both State and private tourism industries to promote foreign exchange earnings from services. The number of licenses issued comprised of 281 private hotels and lodging-house business, 410 tourism enterprises and 946 tour guide businesses by the end of December 1995. Correspondingly, the number of tourists increased from 26,607 in 1992/93 to 105,863 by the end of January, 1996. Measures such as [the] construction of hotels and improvement of transport and communication facilities, improvement in increase power distribution activities were undertaken in preparation for Visit Myanmar Year 1996.

External trade is being carried out under normal trade practices, import first and export later system and consignment basis. [The] Border Trade Supervisory Committee was formed at the central and regional levels to ensure systematic and proper border trading. For the expansion of external trade, a system of direct exports was allowed for the other out ports in addition to Yangon.

Due to [an] increase in production of goods and extensive participation of State, cooperative and private sector in internal and external trade, the volume of export had increased year by year. According to the 1995/96 provisional data, the value of export amounted to K5,945 million as against the original target of 5,562 million, doubling over the 1991/92 level of K2,926 million, mainly due to significant increase in [the] export of rice from 0.17 million metric tons to 1.00 million metric tons and also increased [the] export of beans and pulses, maize seeds, rubber, fish and prawn, silver, refined lead, copper concentrates and zinc concentrates. Out of the total export for 1995/96, the State sector amounted to K2,646 million or 44.5%, the cooperative sector amounted to K101 million or 1.7% and the private sector amounted to K3,198 million or 53.8%. Thus export by the private sector in 1995/96 increased both in value terms as well as in share of the total exports compared with that of 1991/92.

The level of import increased significantly in consonance with the increase in export amounting [to] K9,881 million according to the 1995/96 provisional data as against the plan estimate of K9,525 million, which nearly doubled the amount of [the] 1992/93 level of K5,337 million. Faster growth in the level of imports compared with the growth in exports led to a continuing deficit in the balance of trade. In reviewing the export and import price indices with 1985/86 as the base year, the export price index was decreasing while the import price index was increasing significantly, resulting in unfavorable terms of trade. Therefore, endeavors should be undertaken to promote exports of finished and semi-finished products and other commodities having high price potentials in the international markets.

With the participation of the cooperative sector in the internal and external trade, the number of cooperative societies increased from 20,673 with a total turnover of K16,772 million in 1991/92 to 24,519 with a total turnover of K20,552 million in 1995/96. For the welfare of the government service personnel, the Government Employees Cooperative and Education Employees Cooperative have been formed. In addition, a number of cooperative colleges have been established at Hlegu Township (Phaunggyi), Thanlyin Township and Patheingyi township to upgrade the managerial skill and capability of personnel of cooperative societies. Moreover, trade fairs and cooperative market festivals were held with the aim of enhancing markets for the commodities produced by the various producers' cooperative societies.

Investment

In the 1995/96 annual plan, total investment was estimated at K52,237 million while the revised estimate was K71,728 million, showing an increase of K19,491 million over the budget estimates and an increase of K17,132 million over the previous year's level. Out of the total investment of K71,728 million, K39,620 million or 55.2% was invested by the State sector, K588 million or 0.8% by the cooperative sector and K31,520 million or 44.0% by the private sector. Total investment during the Four Year Short-Term Plan period amounted to K194,974 million exceeding the original estimate of K105,099 million by 85.5 percent. According to the latest data, State sector investment during [the] four year period amounted to K94,536 million or 48.5%, cooperative sector investment K4,001 million or 2.1% and private sector investment K96,437 million or 49.4% as against the original estimate of K41,648 million by the State sector, K319 million by the cooperative sector and K63,132 million by the private sector.

According to the revised estimates for 1995/96, investment by the State sector was K39,620 million showing an increase of K18,563 million or 88.2% over the original estimate of K21,057 million and an increase of K13,838 million over the pervious year's level. State investment during the Short Term Plan amounted to K94,536 million or an average annual investment of K23,634 million. The increase in State investment was mainly due to infrastructural development activities such as construction of roads, bridges, canals and embankments, schools, hospitals and dispensaries for economic and social development, extension of development works in border areas and implementation of special projects. Under the guidance of [the] Special Project Implementation Committee, 85 special projects were implemented with a total investment of K11,637 million during the Short-Term Plan out of which 14 projects were completed.

In 1995/96, investment by the cooperative sector was estimated at K634 million, while the revised estimate was K588 million showing a decrease of K46 million over the original estimate and K1,646 million over the previous year's level. Investment by the cooperative sector during the plan period amounted to K4,001 million with an average annual investment of K1,000 million.

In 1995/96, investment by the private sector was estimated at K30,546 million while the revised estimate was K31,520 million, showing an increase of K974 million or 3.2% over the original estimate and K4,940 million over the previous year's level. Investment by the private sector during the plan period was K96,437 million, representing an average annual investment of K24,109 million.

The significant increase in the private sector investment was due to increased inflow of foreign investment under the Foreign Investment Law and expansion of investment made by private individuals, joint ventures and partnerships between local and foreign entrepreneurs. Moreover, Myanmar Citizens' Investment Law was enacted in order to promote domestic investment and [the] Privatization Commission was formed to carry out privatization activities systematically. Up to 1995/96, 171 enterprises were permitted to operate under the Foreign Investment Law with an investment of K22,917 million. Likewise, 15 enterprises were given permission to operate under the Myanmar Citizens' Investment Law with investment amounting to K1,241 million.

Financial Sector

In the 1995/96 annual plan, the net services value of the financial sector was targeted at K760 million, while the performance according to the provisional data was K842 million, achieving 110.8% of the plan target and realizing a growth rate of 13.7%. Although it is estimated to increase by 6.5% during Four Year Short-Term Plan period, it surpassed the target registering a growth rate of 27.8%. This achievement was due to increased accrual of interests from loans disbursed by the State banks to private entrepreneurs and cooperatives, wider coverage of insurance schemes and extensive business operation of private banks during the plan period.

Financial programs are being extended to set up financial and monetary systems which effectively support the market-oriented economic system and to mobilize internal and external financial resources for expanding activities in economic, social and administrative fields. Accordingly, appropriate laws were enacted in line with the market-oriented economic system. State bank branches were established and measures were

taken to improve efficiency in banking services. Moreover, in order to encourage wider participation of domestic and foreign entrepreneurs, operation of private banks was permitted and accordingly 17 private banks and 32 foreign bank branches are being opened during the plan period. While the State banks have been extending credit facilities to private enterprises, cooperatives and farmers, the private banks are also disbursing loans to private enterprises. In order to enhance the development of private owned industrial enterprises and livestock breeding and fishery, Myanmar Industrial Development Bank Limited and Myanmar Livestock Breeding and Fishery Development Bank Limited have been established in 1995/96. Arrangements were also being made to cultivate the habit of savings among citizens to increase bank savings. Foreign exchange transaction was being supervised systematically. In order to facilitate the foreign exchange transactions, foreign exchange certificates were issued in February, 1993 and licenses for sales and purchases of FECs have also been permitted since December, 1995. Arrangements were also being made for wider coverage of insurance schemes.

In order to modify the tax system in line with the market-oriented economic system, measures such as enacting and amending the tax laws, making arrangement for effective collection of taxes, broadening the tax base, giving tax exemptions and tax relief, and amending tax rates were made occasionally. City and Town Development Committees are operating on the basis of self-financing and financial viability in line with the City Town Development Laws. Moreover, in order to finance and implement the special projects effectively, a revolving fund system was introduced with the permission of withdrawals of foreign exchange and local currency from the State Budget.

As regards [the] financial situation, budget estimates of State Administrative Organizations for 1995/96 showed deficit of K26,150 million. Current receipts amounted to K37,910 and expenditure K64,060 million. In the budget of State Economic Enterprises, total receipts amounted to K93,838 million with expenditure of K117,322 million showing a deficit of K23,484 million. The budget of the cantonment municipalities for 1995/96 showed a deficit of K1.0 million. The State budget showed a deficit of K49,635 million as against the original estimates of K20,758 million. As a result of concerted efforts made to raise revenue comparing 1991/92 with 1995/96 tax receipts increased from K10,480 million to K19,945 million, receipts from State Economic Enterprises increased from K3,342 million to K11,126 million. Although there was a

BALANCE OF PAYMENTS FOR 1996/97

(*Kyat* in million)

No.		Particulars	Receipt	Payment
1		Main Account		
	1	Merchandise	6539.8	10439.8
	2	Transportation & Insurance	33.2	166.3
	3	Travels	1100.0	100.0
	4	Embassies & International Organizations	100.0	105.0
	5	Government Services & Transfer	1.0	1.0
	6	Private Services & Transfer	2150.0	25.0
	7	Interest	60.0	337.0
	8	Miscellaneous	980.0	1385.0
	9	Total	10964.0	12559.1
2		Grants	1286.5	1.0
3		Loans & Repayment		
	1	Loans	799.7	
	2	Repayment of Principle		1606.9
	3	Total	799.7	1606.9
4		Foreign Investment Account	1522.7	
5		Subscription/Investment Account		
	1	Subscription to International Financial Organizations		1.0
	2	Miscellaneous		2.5
	3	Total		3.5
6		Total (1+2+3+4+5)	14572.9	14170.5
7		Financial Account		
	1	Short-term Loans		25.0
	2	International Monetary Fund		
		(a) Drawings		
		(b) Special Drawing Rights (S.D.R.)		
		(c) Repayment		17.6
	3	Total		42.6
8		Total (6+7)	14572.9	14213.1
9		Surplus (+)/Deficit (-)		(+) 359.8

significant increase in receipt, the budget deficit increased yearly due to devoting more expenditures for the development works of the nation.

In 1995/96, the balance of payment was originally estimated at a surplus of K141 million as against the revised estimated surplus of K156 million.

During the plan period export receipt not only of goods but also of services and foreign investment increased while imports and debt-servicing based on the receipts of foreign exchange earnings also increased. During the period 1991/92 to 1995/96 merchandise exported increased from K2,702 million to K5,945 million, and receipt from export of services increased from K1,647 million to K3,947 million. Similarly, the value of imports increased from K5,285 million to K9,881 million, while payment for imports of services, excluding interests, increased from K631 million to K1,450 million.

For the successful implementation of the plan targets, it is necessary to effectively mobilize national productive resources and to adopt ways and means for active participation by the people.

Annual Plan Targets for 1996/97

Concerted effort should be made for the over fulfillment of annual plan targets of 1996/97, the first year of Five Year Short-Term Plan. For the remaining four years, annual plans are to be drawn up annually based on the changing situation and order conditions.

Major plan targets for 1996/97 annual plan are as follows:

(1) GDP at 1985/86 constant prices is estimated at K72.7 billion and to increase by 6.1%.

(2) The plan targets set for net output value of the major productive sectors at 1985/86 constant prices are:

- The agriculture sector is projected a K27,664 million and to increase by 5.4%.
- The livestock and fishery sector is projected at K4,951 million and to increase by 4.5%.
- The forestry sector is projected at K759 million and to increase by 2.6%.
- The mining sector is projected at K1,034 million and to increase by 13.8%.
- The processing and manufacturing sector is projected at K7,120 million and to increase by 10.4%.

(3) The component of productive sectors in GDP is 61.9%, services sector is 16.8% and trade sector is 21.3%.

(4) Total investment is projected at K73,518 million — comprising K29,001 million by the State sector and K44,517 million by cooperative and private sectors.

(5) The export target is set at K6,540 million.

(6) The import target is set at K10,440 million.

(7) Per capita net output is projected at K1,595 at 1985/86 constant prices and to increase by 4.1%.

(8) Per capita consumption is estimated at K1,213 at 1985/86 constant prices and to increase by 4.7%.

The successful implementation of annual plan for 1996/97, the first year of the Five Year Short-Term Plan will create favorable conditions for the successful implementation of the Five Year Plan. Therefore, efforts should be made to enhance the momentum in order that the national economy is placed on the course of long-term development based on the experiences in successfully implementing the Four Year Short-Term Plan. For the successful implementation of the plan targets, it is necessary to effectively mobilize national productive resources and to adopt ways and means for active participation by the people. Constant supervision and close coordination among the implementing agencies and organizations concerned are also crucial.

PROFESSOR KHIN MAUNG KYI

In His Own Words

In January 1996, a group of Burmese economists began a series of discussions on Burma's economy. Their report, "Economic Development of Burma: A Vision and a Strategy," was recently presented to a select body of peers at the Center for International Private Enterprise in Washington, D.C. Professor Khin Maung Kyi, one of the leading members of this research group, speaks to *Burma Debate* about his views on the report.

Professor Khin Maung Kyi, educated at Cornell University and Harvard Business School, was formerly a professor at Rangoon University, a professor of agri-business at the University Pertanian in Malaysia and an associate professor at the National University of Singapore. He is currently a private consultant and a senior fellow at the National University of Singapore.

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BURMA DEBATE ✦ We understand that an economic plan for Burma is being developed by a group of Burmese economists. Can you tell us a little about your findings and the focus of the plan?

If we want to be in line with the technological changes other people are going through and if we want to industrialize and catch up with these people, we need technological training and education.

KHIN MAUNG KYI ✦ Yes, the group has been working for quite a while on developing a strategy for long-range economic development for our country. What we are primarily concerned about is Burma achieving sustained development, say over the next ten, twenty years. What we have presented is not a plan in the proper sense of the term; a plan will have definite targets and an implementation scheme. It is rather a policy or conceptual framework for long term development.

When we talk about the long term view there are a number of things, preconditions if you like, needed to develop a country. Only if you begin now, can benefits as well as results be achieved at a later stage. If we miss that kind of opportunity then it will be very difficult for us to develop. For instance, I will give you an example — education. If we want to be in line with the technological changes other people are going through and if we want to industrialize and catch up with these people, we need technological training and education. These are the very foundations. You cannot change a society without promoting education for instance. Look at all our neighbors, all the developed East Asian countries, like Korea, Taiwan, Japan. On the basis of educational development, technological change took place. But the educational development of our immediate neighbors was a little more haphazard, in a sense they are not as directed as Japan and Korea. I look at all their experiences. In the beginning, they didn't emphasize education that much. Burmese educational performance and the performance of the education of these countries are not very far apart, even after all our failings. Our neighbors are now finding that for the next stage of advanced development, they lack technical training and training in the research field. So Singapore and Malaysia are now emphasizing everything that has to do with education and technical training.

The point I am making is if we want to change Burma for the long term, it will be a technological change that we have to emphasize. That technological change can only be accomplished through improving basic education and emphasizing technical education. Now it takes a long time to have good basic education, maybe ten years, and a technical education, perhaps fourteen, fifteen years. Unless we start now we will not be able to produce the kind of people we need and we will not be able to catch up with other countries. We need to start now to prepare for the future.

BD ✦ The Burmese historically have put a great deal of value on education. What's happened in the last few decades that has changed?

KMK ✦ Right after independence the Parliamentary government invested quite a lot in education. Apart from the expansion of education

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from primary to university level, the government sent about 200 state scholars a year at its own expense to western countries until the practice was stopped by the new military regime. Even the Burma Socialist Programme Party government, during the early stages, emphasized education and our educational level improved. Then somehow or other, we were not able to produce things we used to produce. We were short of foreign exchange and all kinds of economic problems arose. From that time onward, education was not supported by the government and the quality declined. Now education has really deteriorated under the present regime. It's not that they don't want us to be educated. I don't think so. I assume that they are patriotic Burmese, but what has actually happened is that they set their priority on security, and on other things, neglecting education.

BD ✦ *Tell us about those involved in the project. How and why did the group come together?*

KMK ✦ Let me explain to you a little about me and the others involved in the project. I have spent 25 years at Rangoon University in Burma and also in government service. Professor R.M. Sundrum was born in Burma and he speaks Burmese also. He loves his country. He left only in 1963 after serving Burma since 1946. Professor Ronald Findlay is Anglo-Burmese. He was educated in Burma and then taught at the university in Rangoon. He is now Chair of the Department of Economics at Columbia University in New York. Professor Mya Maung from Boston College, was a lecturer at the military academy in Burma. And Dr. Myo Nyunt worked with me when I was research director at the Institute of Economics in Rangoon. He was my assistant and we worked together on research projects throughout Burma on the rural economy, rural modernization and crop diversification. Others are also involved but prefer not to be named.

We all love our country and we want to do something for Burma. We thought that our experience gained outside the country could be of benefit. I have been in Singapore for a long time, nearly 20 years now. I actually helped establish the School of Business at the National University of Singapore, something I was not able to do for my country. Sometimes I feel badly about not having been able to do that in Burma. So I want to do something to leave behind for my country.

We are not thinking about ourselves. We are fairly old now. It is not for our benefit. What we have learned from our experience we can now share with others. Let us think through all these problems and offer something that the present government, or a future government, can use as a basis of discussion. We are not saying that any government has to follow our framework, but this is a basis to think about long-term problems. This is the contribution of an apolitical group that wants to do something for Burma. When we publish the paper we want to circulate it widely in Burmese to those in the present government and to the people who aspire to be the next government.

BD ✦ *You give education as an example of what you highlight in the paper. Could you talk about some other areas of concern?*

KMK ✦ We have ten areas of concern that we would like to see addressed as Burma develops its economic strategy. But here I shall discuss a few important points: the importance of education, I have just emphasized; a right mix between agriculture and industry; the basis of the 'leap-frogging' strategy; and the role of the market and the institutional support needed for its proper functioning.

While working on the project we spent a lot of time studying our potential competitors and neighbors. For instance, we studied in very great detail what kind of industry they start-

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ed and which of their products were competitive internationally in the beginning and what products they excel at now. I also studied the growth patterns in Korea in great detail. How they changed their economy and what were the reasons behind it. What was successful and what was not? I came to a conclusion: For all those countries in the beginning, agriculture was fairly important because self-sufficiency, for the industrial labor force at least, is very important. You must grow sufficient food for the industrial labor force. If you were to import foods from other countries, it will be very, very costly. So all the countries we studied emphasize self-sufficiency in agriculture, across the board. Once they had developed that state, then they started industrialization, from labor intensive industries to technologically intensive industries and so on.

Some of the countries, they started almost from scratch.You know Korea was a devastated country compared with Burma in 1962. Burma in the 50s was way ahead of Korea. Korea started right from the beginning with heavy industry. Over the long haul they built technical competence and they acquired the technology. Not only did they acquire the technology — you can buy the technology of course — but they developed their own competence. You must develop competency over the years. And now Korean industries, like ship-building and the construction industry, are very competitive.

Likewise, Thailand is very good in agriculture. They started manufacturing and at a certain point, the heavy chemical industry and everybody said, "You shouldn't do it," and, "It won't be successful." Over the years they developed their technology, produced competent workers, and now their heavy capital industry is quite competitive.

In Malaysia, five years ago, everybody laughed at the Malaysian car. Now they have done a reasonable job. It is not a first-rate car yet, but it will be if they go on acquiring technology, building competency and so on. So what I mean is that you have to build competency over the long haul. What the government can contribute in this regard will not affect only one industry, because education and technical competence are the kind of things transferable within different industries.

I learned that although in most of these countries, especially our neighbors Thailand and Malaysia, agriculture was prominent, over the past 25 years this changed. Agriculture developed, but the rate of growth was not as high as that of industries. In other words, the percentage of the contribution of agriculture to the GDP declined. So, although to develop agriculture to its fullest potential is very important, we also must move toward industrialization.

For example, if you look at Thailand, the per capita GNP is somewhere around US$2,100. By our own estimation, Burma's is about $400. Now for us to reach the level of Thailand; if we do it right and if we have a growth rate of 8, 9, 10% we will do it in 24 years. So we see that the only way to reach a growth level of 3,000 or 2,500 in twenty-five years is to have a high growth "catch-up" or "leap-frog" strategy.

BD ◆ *How would this "leap-frog" strategy work?*

KMK ◆ As we mentioned, education is very important and we start by building it up. Certain incentives could be given to encourage foreign direct investment to transfer technology to us. For the Burmese enterprises, we should encourage them to acquire new technology and we should provide financial assistance for technical training. We should provide a labor force which will be able to work in that kind of atmosphere. We should not directly interfere in industrial development, but we can identify some of the areas that need help.

For instance, export-oriented industry and industry that is going to bring in the new tech-

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nology we should welcome. There may be government enterprises that will have to compete in the international arena and operate effectively. For example, Singaporean industries, although state-owned, are quite efficient, they run like private enterprises and compete in the international arena. That is the kind of thing we want.

BD ✦ *You talk about the need to encourage foreign investment. Some would say that the Burmese government is trying to do this now. Does your idea of encouraging foreign investment differ from what is currently being done?*

KMK ✦ The Burmese government is trying to encourage foreign investment, yes, but they haven't got an institutional framework congenial to foreign enterprises. They are not having the success they could because they lack this framework. Even economic sanctions wouldn't be very effective if there was a conducive atmosphere for foreign investment. In other words, rule of law, a consistency and transparency in governmental operations and a foreign exchange that is reasonably priced. When a government's economic decisions are based on rational economic thinking and the rule of law prevails, you will have the framework.

Also, you must have a very efficient civil service. If you have this kind of institutional framework, private enterprise will come, even if you have sanctions. They will find a hundred and fifty ways to come. So if foreign enterprise does not come to Burma it's not really because of sanctions, but because we haven't been able to build the kind of institutional framework that will really work. To improve the institutional framework is the first priority.

BD ✦ *You mentioned earlier the role of the market. What is the role of the market in this development scheme?*

KMK ✦ Another lesson we learned, which actually is number one, is that we have made a tremendous mistake in isolating ourselves from the rest of the world. The Burmese Way to Socialism failed not so much because socialism is that bad, as far as I'm concerned, but isolation from the international market and international competition was the real failure. That isolation really made Burma backward, not being able to produce in an international market, not being able to earn the foreign exchange that we need, and we have learned that lesson bitterly. The industries that we emphasized in those days were import substitution. The idea behind import substitution is local self-sufficiency. Why do

The Burmese government is trying to encourage foreign investment, yes, but they haven't got an institutional framework congenial to foreign enterprises... rule of law, a consistency and transparency in governmental operations and a foreign exchange that is reasonably priced.

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we have to buy from other people? That kind of economic nationalism has been very strong in Burma. It became extended under the socialist regime.

The effects of economic development must be spread over the larger number of people. The rules of the game must be very fair.

From the very beginning we set out on the wrong foot with regard to economic policy — exchange control, import rationing, and self sufficiency. However, look at Thailand which was more enlightened. By the late 50s, they switched to a fairly open economy and changed their currency from a fixed rate to a more flexible rate. They changed with the market, which was very important. The fixed rate in Burma is very constricting because it encourages imports and discourages exports. And the *kyat* was very much overvalued for a long period. For instance, our rate is 5 *kyat* or 6 *kyat* per dollar. I remember forty years ago, when I went abroad as a student, it was then 4 *kyat* per dollar. So you can see that we have kept this approximate rate for a long, long time... not just under the military government.

Another example, we fix the price of rice at 300 *kyats* and whatever money we get from selling rice, the government takes it. That lessens the incentive for the farmers to grow. The Thais, instead of fixing that low rate, they let the price of rice float along with the price in the international market. All they want is a certain percentage as export tax. So in other words, Thai farmers get a lot more than Burmese farmers get, because they respond to the international market. The same thing with the Malaysians. The lessons we learn from rapidly developing countries in the region are: Do whatever you do best and whatever you can do best, build up your technology and improve your education, and at the same time expose yourself to international markets. That is how all those countries survive. We too want to have a free market economy open to international competition. Since we are late-comers, we want to get the best of the world's technology. We want Burma to trade, to be open and to compete.

BD ◆ *What type of institutional framework would you need to implement this economic strategy?*

KMK ◆ I think it's a very important question. To have that kind of a free market economy succeed we must invite foreign capital. We cannot have enough savings for the early stages because we are barely surviving. So at this stage, to depend on internal saving and internal resources, is impossible. We have to have foreign direct investment. We have to invite a large amount of foreign direct investment to come to us. No businesses, no organizations, internal or external, can operate unless you have a definitive legal system and rule of law. Businesses must be protected by law. And there must be transparency. Transactions between the government and the company must be done fairly. Also, there must be consistency. If the government makes one ruling today and the next day another ruling, one government minister says something and then another government minister says something else, it will not work.

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Impartiality is also very important because if you are going to be partial to a certain group of people that means that you are creating an unfair situation, you have rent-seeking behavior. That is not good at all for the economy in the long run, because the effects of economic development must be spread over the larger number of people. The rules of the game must be very fair. We want efficient people, good people, honest people, not just someone who knows a certain person to get the contract or the franchise. There must be a system of government that responds to the wishes of people, a kind of government that acknowledges mistakes and tries to correct them.

BD ◆ *What about the environment? Does the plan address issues concerning the environment?*

KMK ◆ Yes, Burma is an agricultural country and agriculture will continue to be very important. We are richly endowed and don't want to squander that advantage. Who knows, fifty years from now growing rice may become more profitable than making automobiles. We have a very good system of rivers flowing to the delta area and swimming with the fish, surrounded by forests. This is our ecology. We must preserve that ecology if we want to survive even as an agricultural country. Although we emphasize industry, we are not going to neglect agriculture. We are going to have sustainable development which uses our resources properly and at the same time maintains... present ecological balance. Without ecological balance, the Irrawaddy will dry and then we will lose everything. Burmese say that as long as the Irrawaddy flows, we will prosper.

BD ◆ *On the question of ASEAN... from an economic standpoint, what are the benefits for Burma becoming a member of ASEAN at this time?*

KMK ◆ I think it's a very, very important question you're asking. We are advocating a free trade economy for our country that will exploit the international market to the best of our advantage. A trade bloc practices reciprocal privileges among its members, but they usually foreclose that privilege to the outside. At this stage we don't have anything to sell to ASEAN except raw materials, rice. They don't want to buy our rice because of their own subsidized programs. As part of ASEAN are we supposed to buy, for instance, the Malaysian car over a Japanese or Korean car, even though we have no manufacturing products to export?

Another very important point for us is customs duties, a very important source of revenue for any government. Reducing customs duty means we are reducing our revenue. Joining ASEAN means loss of revenue that must be compensated. And how are we going to compensate at this stage? We currently have a deficit. We are in very poor shape as far as financial conditions go. So by joining them, it's going to be worse.

What we have suggested in our strategy is to join the international community. We also want to reduce the tariff rate, but not a complicated kind of arrangement where one product will be taxed less and another more. That creates a distortion. What we suggest is a very simple, consistent regimen. We suggest to impose, perhaps, a 30% uniform tariff at the very beginning. We are not going to protect inefficient local industries, so whatever effect we have should be uniform. Then we will reduce it over time as the economy develops. Then the effects on industry, and on the consumer are not distorted.

Which Direction for ASEAN?

BY
WALDEN BELLO

Like the European Union, ASEAN faces the choice of either "enlarging" or "deepening." And the choice it makes will have major consequences on the prospects of two of its key projects, the ASEAN Free Trade Area (AFTA) and the ASEAN Regional Forum (ARF).

The deepening strategy is dictated by the vision of regional economic cooperation articulated in the group's founding document, the Bangkok Declaration of 1967. Deepening would focus the regional body's energies on making AFTA a reality. This is the complex and challenging process of bringing down tariffs among the ASEAN countries to zero by the year 2003 in order to create a market of some 400 million that could serve as the basis of a coordinated regional industrialization.

As we all know, ASEAN in its first 20 years failed miserably as a body to bring about greater regional economic integration. Scheme after scheme failed, from the ambitious ASEAN Industrial Projects, which sought to assign large-scale complementary capital-intensive projects to different countries to develop, to the ASEAN Industrial Complementation Scheme, which planned to divide different production phases of the automobile and other industries among member countries. AFTA, which was launched in 1992, is ASEAN's latest attempt at serious integration via trade policy, a task made urgent by the competition offered by the APEC Pan-Pacific Free Trade Area Plan pushed by the United States and Australia, which make coordinated regional integration at the ASEAN level simply impossible.

Walden Bello is co-director of Focus on the Global South, a program of Chulalongkorn University's Social Research Institute, and professor of sociology and public administration at the University of the Philippines. This article first appeared in *The Nation*, one of Bangkok's leading English-language newspapers.

Will ASEAN succeed this time? The continuing strong hesitations of the different ASEAN elites to open up their respective markets have so far made their declared commitments to bring down tariffs to agricultural and industrial goods nominal, leaving many observers skeptical about AFTA meeting the 2003 free trade deadline.

They have moved quickly to bring in four economies, Vietnam, Burma, Cambodia, and Laos, which are quite different from the original six, in that all four... are at a much lower stage of development and three out of four are marked by a much greater role of the state in the economy than the original ASEAN members.

Another major problem is U.S. opposition to AFTA trade liberalization that does not take place as part of a larger Asia-Pacific-wide trade liberalization. AFTA, according to U.S. Trade Representative Charlene Barshefsky, is an example of how "governments are pursuing strategic trade policies, and in some cases preferential trading arrangements, forming relations around us, rather than with us, and creating new exclusive trade alliances to the potential detriment of US prosperity and leadership."

Enlargement strategy

Probably the most serious threat to making AFTA a reality is the "enlargement" of the ASEAN project that some elements in ASEAN have designated as a priority.

Enlargement would bring enormous complications to AFTA. Unlike the Western European members of the EU that are contemplating bringing in new economies into the union, the members of ASEAN have still to carry out the first phase of economic integration via a free trade area. Yet they have moved quickly to bring in four economies, Vietnam, Burma, Cambodia, and Laos, which are quite different from the original six, in that all four... are at a much lower stage of development and three out of four are marked by a much greater role of the state in the economy than the original ASEAN members.

True, Vietnam has already been admitted, but this is not the time to complicate AFTA's future even more. Cambodia, Laos, and Burma should be admitted into ASEAN, yes, but only after there are, among other conditions, substantive steps taken in the enormously complicated phase of economically integrating the existing members. The enlargement strategy is dictated by political considerations, and in pursuing it, ASEAN courts a repeat of its earlier history. For it was regional realpolitik that sabotaged ASEAN's earlier efforts to move towards meaningful integration. From the late '60s to the early '70s, the ASEAN governments were preoccupied by the Cold War and the Vietnam War, where they were allied with the U.S.

And in the late '70s, in a move that went against the spirit of the Bangkok Declaration, ASEAN allowed itself to become an anti-Vietnamese alliance. Its program for economic cooperation was placed indefinitely on the back-burner as it became the most active backer of the opposition coalition in Cambodia (of which the Khmer Rouge was the main component), following a common strategy with China and the United States.

Today, regional realpolitik is again driving the enlargement agenda. Bringing in Vietnam in 1995 was largely a strategic move to strengthen ASEAN's military capabilities *vis-a-vis* China — one which was incidentally, in step with the United States' evolving strategic policy of "containing" a country that was seen by Washington as a rival regional hegemony.

Burma and authoritarianism

The current enlargement effort is centered on bringing in Burma. It has been mainly pushed by President Suharto, who has deployed all his resources as the "grand old man" of ASEAN, the

only chief of state who was in power when the formation was established in 1967.

Realpolitik is a major consideration in Suharto's moves, and this is the realpolitik of authoritarianism. Suharto is increasingly worried about the pressures for democratization in Indonesia, which he sees as being influenced by the rising pressures for greater democracy throughout the region. Bringing in more non-democratic regimes would strengthen the authoritarian pole in the balance of power within ASEAN: it would serve to neutralize the formal democratic regimes within ASEAN — the Philippines and Thailand — and prevent them from following foreign policies that would be more sympathetic to democratic movements on the ground.

Moreover, bringing in more authoritarian regimes would create a solid front against external criticism of the repressive practices not only in Indonesia but in the majority of the ASEAN states.

Ideologically, "ASEAN brotherhood" is being defined as a brotherhood of authoritarian states ranged against liberal democracy, human rights, and other "western biases." It is not surprising, then, that the other authoritarian governments, notably Malaysia, Singapore, and Brunei have lined up strongly behind Indonesia.

This anti-democratic realpolitik is working. Isolated, weak-kneed, and almost ashamed of their democratic credentials, the Thai and Philippine governments have, predictably, allowed themselves to be pushed into endorsing the majority position on Burma. And, with Burma in ASEAN, opposition at the state level to the democratic current would be even stronger.

Burma and the future of the ARF

The authoritarian realpolitik promises to damage not only AFTA but another key project, the ARF, which the body wished to make the principal mechanism for the resolution of conflict and security issues in the Asia-Pacific region.

The ARF has a structure that might be best characterized as one of concentric circles. The core, or inner circle, is the ASEAN member countries, who have the initiative in setting the agenda. The next circle is made up of the seven "dialogue partners", which include, among others, the United States, Australia, and Japan. An outer circle in made up of Russia and China, ASEAN's "consultative partners," followed by the periphery composed of "ASEAN observer states," namely Papua New Guinea, Laos, Burma, and Cambodia. Making Burma a member of ASEAN would mean bringing an extremely controversial actor from the periphery to the very center of ARF decision-making, and this can only bring a great deal of opposition and criticism from many of the key dialogue partners, opposition which is justified, since the Burmese junta is a totally illegitimate regime that is in power in defiance of the clear cut results of a democratic election.

Burma's central role in the ARF will become the issue in the ARF, and this can only distract the forum from the pressing peace and security concerns, such as the Spratly Islands dispute and the effort to gain the nuclear powers' assent to the creation of a nuclear weapons-free zone in the region. All this can only contribute to undercutting the ARF as an effective multilateral security mechanism.

Such a situation would play into the hands of the powers that are suspicious and even unsympathetic to the ARF, like the United States. Washington has often dismissed the ARF as a "talk shop," and its strategy has been to undercut its development as an effective multilateral structure for conflict resolution, preferring to limit the forum to serving as a weak adjunct to Washington's preferred security mechanisms in the Asia-Pacific region: its bilateral treaties with East Asian countries, and its 100,000 troops deployed to the area.

In sum, granting Burma membership in ASEAN is an ill-advised move the regional body cannot afford at this point, since it would distract its members' attention from the complex and challenging AFTA project and weaken the ARF. It is partly for the reasons laid out above, incidentally, that the network of institutes of strategic studies in ASEAN that were so influential in the formation of the ARF are said to have recommended against the entry of Burma at this time.

Governments would be well-advised to listen to their arguments instead of plunging into a dangerous and foolish strategy of enlargement that can only set back the realization of ASEAN's vision of becoming a prosperous bloc of integrated economies that serves as the hub of a peace and security framework for the Asia-Pacific region.

ASEAN & Myanmar

By Maung Saw Tun

This article appeared in the state-controlled newspaper, Kyemon, *on February 21, 1997.*

Translated from Burmese by the Foreign Broadcast Information Service (FBIS).

Myanmar, Cambodia,and Laos have currently obtained observer status in ASEAN and will become full-fledged members in the near future. All 10 countries in the ASEAN region will then work together with firm cooperation as one. This is the first time Myanmar has decided to join a regional group. For many years, Myanmar has stood by its own principles, pursued an independent and active foreign policy, and also practiced a non-aligned code. It is said that Myanmar had imposed self-isolation in the Southeast Asian region. It is true because Myanmar did not join any grouping and sided neither with the West nor the East. According to the Myanmar saying "one knows best one's own problems," Myanmar remained isolated.

Myanmar is an independent and sovereign country and a member of the United Nations. It has the right to freely determine and freely exist in accordance with the UN Charter. Whether rich or poor, it can decide its own fate. However isolated, Myanmar has remained clear for more than 50 years since gaining independence. Although the country became poor due to this isolation, it never became impoverished. This proves that Myanmar is self-sufficient. It is true that development was slow and there were good and bad experiences, but Myanmar was able to maintain its traditions and culture until today....

... Myanmar needs to cooperate extensively with regional countries in keeping with its market-oriented economic policy. The countries in the region are like brother nations. The living standards, cultures, and traditions do not differ much between one another, and even the fundamentals, convictions, and perceptions are the same. ASEAN knows the situation in Myanmar very well. Therefore, they began constructive engagement [preceding two words in English] with Myanmar in 1988, which is contrary to the West's views. ASEAN countries are considerate of Myanmar's transition and have rendered assistance with a brotherly spirit.

It is very surprising for those who are Myanmars [Burmese] and do not know the situation in Myanmar. ASEAN countries have warmly welcomed Myanmar's application to become a full-fledged member. Internal and external destructionists have been utilizing all kinds of agitation to create a situation similar to 1988. Internal axe handles [traitors] holding negative views are also selfishly looking at ways to gain power without regard for the welfare of the Myanmar people. Just like the habits of lowdown opportunists, they have shamelessly proposed Myanmar not be accepted into ASEAN until after they have gained power. They have also sought assistance from the world famous *ngapwagyi* country [pejorative reference to America]. The special envoy of *ngapwagyi* even visited some ASEAN countries to block Myanmar's ASEAN entry, but the ASEAN countries, with their strong convictions, stood firm. So *ngapwagyi* began to draw up a strategy and tried to prevent Myanmar's entry into ASEAN....

... The opportunists are worried that Myanmar might gain entry into ASEAN. They have always wanted Myanmar to be in a tight spot. They try to create economic disorder for the entire population of Myanmar, urge tourists to boycott Visit Myanmar Year, engage in destructive acts to create disunity, spread rumors to create unrest in collaboration with foreign broadcasting stations, entice students to protest, agitate people to take to the streets as in 1988, write letters to foreign countries urging them not to trade and invest in Myanmar, and seek assistance from *ngapwagyi* who will heed their calls. Their calls spread from the United States to Europe. The Nobel Peace Laureate and leader of the axe handles, contrary to the peace moves, has urged economic sanctions against Myanmar. *Ngapwagyi* tried pretty hard, approached the United Nations, encouraged the insurgents at the border, and gave official assistance to the expatriates. That is not strange because they have given similar assistance to former expatriate groups before.

Myanmar will become a full-fledged ASEAN member in the near future. Axe handles who rely on foreign powers are greatly shaken because their plot for economic destruction will fail. There will be an increase in market, trade, and investment, exchanges of technical know-how, and stronger regional cooperation once Myanmar becomes an ASEAN member. Myanmar, with its self-reliant nature, will become modern and developed. There is no reason to become someone's follower. *Ngapwagyi*, who anticipates the loss of a developed Myanmar, is making an all-out effort to stop Myanmar from becoming an ASEAN member. Axe handles who rely on foreign powers will also become nervous and active for fear of losing in their selfish goals. The entire Myanmar people are urged to collectively prevent and annihilate this national threat as a national duty.

In Brief

Roundtables

WASHINGTON, DC — The March 11 Washington Roundtable featured Katie Redford, an attorney and activist with Earth Rights International based in Thailand. Ms. Redford gave a briefing on human rights abuses in connection with the natural gas pipeline being constructed in Burma.

A Roundtable was held on April 24 with guest speakers, Fr. Stephen Curtin, S.J., Director of Jesuit Refugee Service/Asia-Pacific and Mr. Kavi Chongkittavorn, executive editor of *The Nation*, one of Bangkok's leading English-language newspapers. Fr. Curtin provided an update on the situation of the refugees along the Thai-Burma border. Mr. Chongkittavorn discussed Burma's entry into the Association of Southeast Asian Nations (ASEAN).

The Washington Roundtable is co-sponsored by Human Rights Watch/Asia, The Jesuit Refugee Service, The U.S. Committee for Refugees and Refugees International. For more information contact Refugees International by phone: (202) 828-0110 or fax: (202) 828-0819.

NEW YORK — A New York Roundtable was held on March 17, featuring Katie Redford of Earth Rights International.

The New York Roundtable is a periodic meeting of organizations and individuals interested in Burma. For more information contact: Burma/U.N. Service Office by phone: (212) 338-0048 or fax: (212) 338-0049.

NEW ENGLAND — The New England Burma Roundtable is an informal group of individuals and organizations working to promote human rights and democracy in Burma. Meetings are held the second Monday of every month. For information contact Simon Billenness of Franklin Research & Development Corporation by phone: (617) 482-6655 or fax: (617) 482-6179.

SAN FRANCISCO — The Bay Area Burma Roundtable is held the third Wednesday of every month. For more information contact Jane Jerome by phone: (408) 995-0403 or e-mail: jjerome@igc.apc.org.

SEATTLE — The Burma Interest Group is a non-partisan forum attended by representatives of NGOs, business, academia and other interested parties that meets monthly to discuss Burma related topics. For more information contact Larry Dohrs by phone: (206) 784-6873 or fax: (206)784-8150.

LONDON — The Burma Briefing was held on April 17, featuring Martin Smith and Graham Mortimer, both of whom had recently returned from extensive visits to the Thai/Burma border.

The Burma Briefing is a periodic meeting of NGOs working on Burma. For information contact Edmond McGovern by phone: (44-392) 876-849 or fax: (44-392) 876-525

HONG KONG — Information on Burma Roundtables can be obtained by contacting the Asian Human Rights Commission by phone: (852) 2698-6339 or fax: (852) 2698-6367.

BRUSSELS/PARIS — The NGO communities in France and Belgium host periodic roundtables in Paris and Brussels. For more information on this European forum contact Lotte Leicht of Human Rights Watch by phone: (32-2) 732-2009 or fax: (32-2) 732-0471.

NETHERLANDS — A Meeting of the Netherlands Burma Roundtable was held on March 22. The Netherlands Burma Roundtable is held once every two months with the goal of updating organizations and individuals on current events and activities surrounding Burma. For more information contact: Burma Centrum Netherlands (BCN), by phone: (31-020) 671-6952 or fax: (31-020) 761-3513.

Briefings and Developments

UN HUMAN RIGHTS COMMISSION CONDEMNS SLORC

The United Nations Commission on Human Rights passed a resolution condemning the ruling military regime for its continued human rights violations. The resolution was passed by consensus during the Commission's annual meeting held in Geneva from March 10 through April 18. In his statement to the Commission, Judge Rajsoomar Lallah, the U.N. Special Rapporteur for Burma concluded that, "...the suppression of the exercise of civil and political rights is reported to attain new heights." Judge Lallah has not been given permission by the Burmese government to travel to Burma to investigate the situation despite repeated attempts to do so.

BONN PROTESTS VISA DENIAL

The German government registered an official protest on March 20 with the State Law and Order Restoration Council (SLORC) on its refusal to issue a visa to a prominent German politician. Count Otto Lambsdorff, a member of Germany's Free Democratic Party and a former finance minister, was denied the visa when he indicated that he intended to meet with Aung San Suu Kyi during his visit. SLORC informed Count Lambsdorff that his visa would be granted only on the condition that he would not meet with members of the political opposition.

Business Watch

U.S. BUSINESS LOBBY OPPOSES SANCTIONS ON BURMA

At their March 10 meeting in Singapore, members and supporters of the U.S.-ASEAN Business Council voiced their strong opposition to the idea of the United States imposing economic sanctions on Burma. George David, head of the council and chairman of United Technologies Corp., has lobbied Congress against any investment ban in Burma. Speaking at the meeting were former Secretary of State Alexander Haig and former Senator and Treasury Secretary Lloyd Bentson who lent support to the council's position. Haig said that sanctions would be "arrogant, wrongheaded and misreads the lessons of history," and that it was "knee-jerk populism."

SEC DENIES UNOCAL MOVE TO BLOCK BURMA RESOLUTION

The Oil, Chemical and Atomic Workers International Union (OCAW) announced on March 20 that the Securities and Exchange Commission (SEC) has denied a move by the U.S. oil company, UNOCAL, to prevent a vote on a shareholder's resolution concerning charges of its links to drug money laundering in Burma. The resolution, which was submitted by a retired OCAW member, calls for an investigation into the allegations that UNOCAL's partner in Burma, Myanmar Oil and Gas Enterprise (MOGE), is serving as a conduit for laundering money obtained from the illegal sale and production of heroin. MOGE was established by Burma's military regime and is involved in the development of a natural gas pipeline with UNOCAL and a third partner, Total of France. The resolution is expected to go before UNOCAL shareholders for a vote at the June meeting.

BURMA HOSTS INTERNATIONAL GOLF TOURNAMENT

Over 140 international golfers participated in the London Myanmar Open, the second professional golf tournament to be held in the country. Golfers from the U.S., Canada, Japan, Korea, Australia, India, Thailand, England, Scotland and Taiwan were among those who attended the event which was held from April 3-6 at the City Golf Resort in Rangoon. The first prize was a $200,000 cash award.

Inside Washington

U.S. IMPOSES ECONOMIC SANCTIONS

On April 22, President Clinton announced that the United States would impose economic sanctions on Burma under the terms of the "Cohen-Feinstein" Amendment contained in the Appropriations Act for Fiscal Year 1997. Citing a "...constant and continuing pattern of severe repression by the State Law and Order Restoration Council (SLORC)." The statement issued from the White House noted the recent offensive against the Karen, the restrictions on Aung San Suu Kyi and the political opposition, and the fact that Burma remains the world's leading producer of opium and heroin.

The President remarked that, "...The regime has shown little political will to stop the narcotics exports from Burma and prevent illicit drug money from enriching those who would flaunt international rules and profit by destroying the lives of millions." The law, which will be implemented according to details outlined in the President's Executive Order effective as of May 21, will require a ban on new U.S. investment in Burma.

CONGRESSIONAL HEARING ON BURMESE REFUGEES

Representative Christopher Smith (R-NJ), chairman of the Subcommittee on International Operations and Human Rights of the House Committee on International Relations, called a hearing on April 16 to investigate the recent outflow of refugees from Burma into Thailand. Over the past few months, thousands of people have fled to the Thai/Burma border as a result of the SLORC offensive against the Karen National Union. Testimony was provided on the attacks and burning of refugee camps which left nearly ten thousand refugees homeless and instances where Thailand forcibly repatriated people back to Burma. The panel of witnesses included Fr. Richard Ryscavage, S.J., Director of the Jesuit Refugee Service U.S.A.; Gary Lane of the Christian Broadcasting Network; Stephen Dun, a Karen student and U Soe Pyne, Director of the Prime Minister's Office of the National Coalition Government of the Union in Burma (NCGUB).

U.S. DENIES DRUG CERTIFICATION TO BURMA

Burma has once again been denied certification by the U.S. government for counter narcotics cooperation efforts. Under the Foreign Assistance Act of 1961, the President of the United States must, on an annual basis, identify and notify the Congress of those countries he has determined are major illicit drug producing and/or drug transit countries and certify if each has cooperated fully with the U.S. or taken steps on its own to achieve the goals of the U.N. Drug Convention. Of the 32 countries identified only six, including Burma, were denied certification. According the the U.S. Department of State's recently released, "*International Narcotics Control Strategy Report*" Burma's "continued lack of resources and commitment to effective drug control policies led to near records of opium production."

U.S. CONGRESS EXPRESSES CONCERN OVER REFUGEE CRISIS

Letters from both houses of Congress addressed the plight of Karen refugees fleeing Burma. In an April 30 letter to U.S. Secretary of State Madeleine Albright, six prominent U.S. Senators urged the United States to voice its strong opposition to any forcible repatriation of Karen refugees by the government of Thailand. Signatories included Senators Daniel Patrick Moynihan (D-NY), Jesse Helms (R-SC), Mitch McConnell (R-KY), Patrick J. Leahy (D-IL), Alfonse M. D'Amato (R-NY) and Edward M. Kennedy (D-MA). On March 4, Congressmen Benjamin Gilman (R-NY), Chris Smith (R-NJ, Tom Lantos (D-CA) and Dana Rohrbacher (R-CA) expressed their concern about the situation in a letter to Thai Prime Minister Chavalit Yongchaiyudh.

Voices of Burma

The following excerpt was taken from **Pleading Not Guilty in Insein**, *the translation of an official SLORC report on the trial of 22 political prisoners in Insein jail.*

In mid-November 1995, the authorities at Insein Prison in Rangoon raided the cell of 22 political prisoners. Following the raids the prisoners were interrogated, and some were beaten, tortured and held in tiny cells usually kept for prison dogs....

Among these prisoners were prominent journalist U Win Tin, magazine publisher Myo Myint Nyein, and National League for Democracy (NLD) parliamentarians U Hla Than and Dr. Zaw Myint Maung, both of whom won seat in the 1990 election.

As a result of the raids the prison authorities alleged they seized 'seditious' material that was 'damaging' to the SLORC regime. Each of the 22 prisoners was subsequently charged under the 1950 Emergency Provision Act for writing and distributing allegedly false information. If found guilty a person can be jailed for up to seven years and receive a fine... The prisoners were refused access to legal counsel and they defended themselves. All 22 prisoners pleaded not guilty, either on the grounds that what they had written was the truth or that the charge was false.

CHARGES

Myo Myint Nyein, 35, has been detained since September 1990 when he was sentenced to seven years imprisonment by a military court for "organizing youths and students to create instability." He is a magazine publisher and worked for the Information Department of the NLD and for the group 'Thone Young Chae' which provided bodyguards for Daw Aung San Suu Kyi.

Myo Myint Nyein smuggled *Time* and *Newsweek* magazines into the prison by unlawful means and distributed them for other prisoners to read. He took responsibility for the layout of the magazine written in commemoration of the Diamond Jubilee of the founding of Rangoon University, which contained seditious literature against the State. Furthermore, he organized other prisoners to write seditious pieces.

...In early May of 1995, Myo Myint Nyein... discussed collecting information on events within the prison and presenting this information, along with their demands, to the Secretary-General of the United Nations. They gathered this information, and in the month of June, 1995, Win Tin asked Nyunt Zaw to copy it on an Ajinomoto plastic bag, spreading out the bag in the form of a sheet of paper. After concealing this paper in the handle of a plastic basket made in prison, it was given to Phone Myint Tun during visiting time.

Similarly, in March of 1993, Myo Myint Nyein held discussions... about a conference to be held in Vienna, Austria [UN Human Rights Conference]. As a result, Phyo Min Thein wrote a paper in English on a short-sleeved prison shirt and smuggled it out of the prison.

In early 1994, he wrote 'new year greetings for Aung San Suu Kyi from her colleagues' on a white cloth and asked 107 prisoners to sign their names on it.

TESTIMONY

As the court listened to testimony from both sides, Myo Myint Nyein told the court that the information contained in the letter to the Vienna Human Rights Conference was not fabricated, but based on true accounts. He said he wrote the letter to Daw Aung San Suu Kyi when he heard that she had been released [from house arrest] but said it was not sent to her because she was not released. He added the facts in this letter were correct and contained no false statements.

Myo Myint Nyein also testified that when he wrote the news bulletin in 1994/95, the news in it was also true and that those who were interested in it were allowed to read it. He said he also wrote a paper to present to [former UN Special Rapporteur] Professor Yokota when he was scheduled to visit the prison and although he was not able to give him the letter because he did not see him, the content of the letter was based on actual events in Insein Prison.

Myo Myint Nyein took responsibility for publishing the *Diamond Jubilee Magazine* and said the news and facts published in the magazine were all true accounts. He therefore pleaded not guilty.

Media Resources

BURMA BEHIND THE MASK

Edited by Jan Donkers & Minka Nijhuis
Photography by Jan Banning
Translated by P.J. van de Paverd

Burma Centrum Nederland (BCN)
Paulus Potterstraat 20
1071 DA Amsterdam
The Netherlands
Tel: (31) 20-6716952
Fax: (31) 20-6713513

This book, first published in Dutch by BCN in October 1996, is a collection of personal accounts by two Dutch journalists who travelled through Burma between 1991 and 1994. It includes a preface by Aung San Suu Kyi, the current regime's plans for developing tourism and the military's pervasive grip over the population. In addition to many photographs, the book contains cartoons by various Burmese artists.

COUNTRY PROFILE: MYANMAR (BURMA)

The Economist Intelligence Unit (EIU)
1996-97

The Economist Intelligence Unit
The Economist Building
111 West 57th Street
New York, NY 10019
USA
Tel: (212) 554-0600
Fax: (212) 586-1181/2

EIU, which publishes quarterly country reports on 180 countries, provides background, political and economic information, as well as an analysis of current economic trends in Burma.

THE UNCONSTITUTIONALITY OF STATE AND LOCAL ENACTMENTS IN THE UNITED STATES RESTRICTING BUSINESS TIES WITH BURMA (MYANMAR)

by David Schmahmann and James Finch
March 1997

Nutter, McClennen & Fish, LLP
One International Place
Boston, MA 02110-2699
Tel: (617) 439-2000

The law review article which appeared in *The Vanderbilt Journal of Transnational Law* analyzes the validity of measures adopted by states and municipal governments in the United States that penalizes companies conducting business in Burma. One of the authors of this abstract, Mr. James Finch is a resident partner in Rangoon of the international law firm of Russin & Vecchi.

Media Resources (continued)

TANGAY — THE SETTING SUN OF RAMAYANA

by P. Nop

Suksit Siam Co. Ltd.
113-115 Fuangnakhon Road
Bangkok 10200
Thailand
Fax: (66-2) 222-5188 Thailand
(41-1) 262-0641 Switzerland
E-mail: 100777.1452@compuserve.com

This book gives a rare insight into Burma's history and culture while highlighting the plight of children caught in a political and social conflict through a captivating plot involving young Tangay on his flight from the forest of Burma's border to the concrete jungle of Bangkok. USD 25 plus mailing costs.

PLEADING NOT GUILTY IN INSEIN

January 1997
A special report by All Burma Students Democratic Front (ABSDF)

P.O. Box 151
Klong Chan PO
Bangkok 10240
Thailand
E-mail: lurie@mozart.inet.co.th
caroline@ksc15.th.com

Published by the ABSDF, these documents on the summary trial of 22 political prisoners in Burma's infamous Insein prison were smuggled out of Burma and translated and edited by Naing Luu Aung and Aung Moe Htet. This special report documents the treatment of prisoners, conditions inside Insein and the discipline and punishment of political prisoners by the military government.

BURMA: PROSPECTS FOR POLITICAL AND ECONOMIC RECONSTRUCTION

1997
by David Steinberg

World Peace Foundation
One Eliot Square
Cambridge, MA 02138
Tel: (617) 491-5085
Fax: (617) 491-8588
E-mail: mla@hiid3.harvard.edu

This is an interpretive report of a meeting sponsored by The World Peace Foundation and Harvard Institute for International Development (HIID) in December 1996. The international forum was held at Harvard University to discuss issues facing Burma today and was attended by a broad spectrum of officials, representatives of NGOs, scholars and business representatives.

SLORC Speaks

"NAKAMPATI"

by Sithu Nyein Aye

It was said that GSP (Generalized System of Preference), granted to Myanmar for relaxation of tariffs on her goods imported into EU countries, had been revoked for cruel, forced labor of two million people in the country who were threatened to work like slaves and who had lost human rights. It was also said that the American Government had banned investments in Myanmar for the great loss of human rights, arbitrary executions after only brief trials, unjust seizures and persecution and bully [*sic*] of minority ethnic groups. These news reports have not made Maung Nyein Aye, this author, tremble or surprised. I have already reckoned that this would happen one day. I have also estimated what further steps they will take. They will continue to exert pressure on Myanmar until the woman they prefer ascends the throne. They will continue to harass Myanmar with a heap of fabricated news until Myanmar people are impoverished and starved and kneel before her and ask, "Save us! Help us!" They appear to have got not only a hidden card but a joker. In their estimation... If the woman were to become the Head of State, Myanmar would certainly turn pro-West; with the help of a pro-West government, forces of the West would be able to have foothold on the most strategic region of Southeast Asia; from this foothold, they would be able to control the two most populous countries in the world — India and the People's Republic of China; and, they would be able to take one step forward to work out the program of containing the PRC.

It is clear that they would have reckoned so. They do not have regards for the spirit of freedom held noble by Myanmars. They do not like the Principle of Freedom and Non-Alignment that Myanmar has constantly adhered to. They do not understand that Myanmars do not accept any constraint placed on them. The qualities — the spirit of patriotism, loyalty and living in accordance with Buddha's teachings — which Myanmars hold serious are not important to them. It is important to have the strategic force stronger on their side. They have already bought a person who was born here but brought up in their country, married to their citizen and well accustomed to their culture, awarding that person Nobel Award and other decorations.

Finally, they easily got what they wanted. They found her on her coming back home to see her ailing mother. A thought came into their mind — Myanmars would accept her if she, daughter of the much respected leader, was chosen just as the rulers of successive dynasties in Pakistan, India, Bangladesh and Sri Lanka were accepted by the respective citizens. As they wound her up like they did to a toy, she shouted "democracy"... "human rights"... as in 'the twin parakeets,' one of the 550 *Jataka* stories. So they have taken to her.

Myanmars took interest in the daughter of the national leader they respected and admired and flocked to her for curiosity. She relished it and she later cannot see the truth. She destroyed everything which would lead to peace and prosperity of the nation with economic and social progress. No world tourists must come here... No foreign investment must be made... ASEAN must not accept it as member... No economic assistance must be given... Impose economic sanctions... Are not such mottoes their destructive schemes? While she is threatening with such destructive schemes on the one hand, she is demanding with an ultimatum to the Government to hold dialogue with her on the other. Who will be able to concede to these demands? She does not suggest how we should join hands and work together for the nation to prosper and how we should march smoothly toward a new democracy nation without any obstacle.... She has driven in a wedge between the Government and the people. She has attempted to create religious conflicts as if the Government were attacking other religions while encouraging Buddhism.

Oh, the people, see for yourselves. See the truth. Be united at this crucial time. Strength of the people is the strength of the nation. As long as the people is strong, there are no need to tremble, whoever threatens or obstructs *Nakampati* — there is no need to tremble.

— *The New Light Of Myanmar*, Apr 28, 1997

Burma Debate is a publication of The Burma Project of the Open Society Institute.
Mary Pack, *Editor*

THE OPEN SOCIETY INSTITUTE (OSI) was established in December of 1993 to promote the development of open societies around the world. Toward this goal, the institute engages in a number of regional and country-specific projects relating to education, media, legal reform and human rights. In addition, OSI undertakes advocacy projects aimed at encouraging debate and disseminating information on a range of issues which are insufficiently explored in the public realm. OSI funds projects that promote the exploration of novel approaches to domestic and international problems.

The Burma Project initiates, supports and administers a wide range of programs and activities. Priority is given to programs that promote the well-being and progress of all the people of Burma regardless of race, ethnic background, age or gender.

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