

# Sanctions provoke deepening economic crisis in Burma

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In a bid to ease crippling economic sanctions, the Burmese military regime presented its “road map” for political reform to an international conference in Bangkok on December 15. While a number of countries, including France, Germany, Australia and Japan, attended the Bangkok Process Forum, the US and Britain flatly rejected the Burmese plan, refusing to attend.

Rangoon first proposed the “road map” in August as tough new economic penalties began to take effect. The measures were imposed after the indefinite detention of opposition leader Aung San Suu Kyi and a vicious attack on her supporters in late May. Pro-junta thugs killed nearly 100 members of the National Democratic League (NLD) in a staged provocation after a nationwide campaign by Suu Kyi began to rally support.

Following the incident, the US and European Union (EU) demanded that Suu Kyi be released and allowed to continue her political activities freely. EU sanctions included an arms embargo, a ban on economic assistance other than limited humanitarian aid, and economic and travel restrictions on senior Burmese officials. Japan abruptly halted its aid to Burma.

The US drastically stepped up sanctions under the Burmese Freedom and Democracy Act, which came into effect in late August. These included a tighter ban on Burmese manufactured goods, a halt to all US dollar remittances to Burma, a freeze on the assets of junta members, and an expansion of the visa ban on former and present Burmese leaders. US investment in Burma was already banned.

These measures have created serious economic difficulties for Burma. In 2002, the US bought \$US356 million worth of Burmese goods, mostly textiles and garments—about one third of the country’s exports. Since the sanctions were imposed, more than 100 textile and garment factories have been closed and around 100,000 jobs are on the line.

All US dollar payments from any country to Burma have to be cleared through US banks. The remittance ban created an immediate liquidity crisis problem, effectively stopping all US dollar transactions to the country. The junta has attempted to overcome the problem by converting its international transactions to euros as well as Singapore dollars and Japanese yen. It has also attempted to boost trade with neighbouring Bangladesh, China, India, Laos and Thailand. But none of these measures have alleviated the problems.

The regime collects a major part of its revenue from the Union of Myanmar Economic Holdings Limited (UMEH), which has been hard hit by the sanctions. Established in 1990, it accounts for some 40 percent of all investment in the country and was involved with a series of partnerships with foreign investors. According to the leaked UMEH 1995-96 annual report, two of its main tasks were “to support military personnel and their families” and “to become the main logistics and support organisation for the military by gradually establishing industries”.

In late August, the Burmese military took several steps to try to ease international pressure. On August 25, General Khin Nyunt, head of military intelligence, was appointed prime minister. Khin Nyunt is regarded as “pro-reform” and was centrally involved in the moves earlier last year to end Suu Kyi’s house arrest and to reach a rapprochement with the NLD.

Khin Nyunt announced his seven-point “road map” for political reform just five days later on August 30. He envisages a national convention to draft a new constitution that would be adopted through a national referendum. Other measures include holding a general election to form a new government. The whole exercise is to be completed by 2006.

After the US, EU and Japan rejected the plan, Thailand stepped in to initiate the Bangkok Process Forum and

convene the December 15 conference. The Thai government is seeking to end Burma's isolation as a means of boosting Thai economic interests in the country and halting the flow of Burmese refugees across the border into Thailand. Thai Foreign Minister Surakiart Sathirathai declared that the forum would give Burma a chance to explain its road map.

The willingness of Burmese leaders to attend the gathering marked a break from the past. Previously, the junta has refused to attend international conferences to discuss changes to its rule. Its presence in Bangkok reflected the depth of the economic and political crisis inside Burma. While a number of countries attended, the pressure remains on Rangoon to find a way of including Suu Kyi and the NLD in the process.

The US insisted that the road map marked no significant change in the junta. US State Department spokesman Richard Boucher told the media in October: "We don't see any need for a road map unless it has the full participation of the opposition."

The Bush administration's stance has nothing to do with concerns about the appalling record of the Burmese junta in trampling on the democratic rights of ordinary working people. By promoting Suu Kyi, the US is seeking to advance its own economic and strategic interests in the country. The military regime's tight control over large sections of the country is a barrier to foreign investment. Suu Kyi and the NLD have pledged to implement a program of economic restructuring, aimed at opening up the country to foreign capital.

Burma is strategically positioned on the border with China and lies between the Indian subcontinent and South East Asia. The junta has maintained close political and economic relations with Beijing. Despite the current relatively cordial relations between the US and China, the Bush administration continues to regard Beijing as a rival and has been forging closer relations with bordering states. A pro-US regime in Rangoon would be one more piece in this pattern of encirclement.

Testifying before the US-China Economic and Security Review Commission on December 4, David Steinberg from Georgetown University declared: "Bilateral relations should be of most importance to the United States in Burma/Myanmar because of several reasons: the extent of Chinese economic and military penetration of that country; the potential of Burma as a pivotal element in any potential Sino-Indian dispute; the Chinese access to the Bay of Bengal and the Malacca Straits [through Burma]; and the spill-over effects of mismanagement and

abuses in Burma that affect our treaty ally, Thailand."

In putting forward its road map, the Burmese junta is seeking to appease the international powers while retaining its tight grip on political power. The generals have ruled continuously since 1962. The present leaders took the reins of power in 1988 after brutally crushing mass anti-military protests, killing an estimated 3,000 people in Rangoon alone. Nyunt, the present prime minister, was instrumental in organising this blood bath.

But the military were also assisted politically by Suu Kyi and the NLD, which called off the demonstrations in return for a pledge of future elections. The opposition won the 1990 election overwhelmingly but the military refused to allow Suu Kyi to form a government and cracked down on the NLD. Last month the UN envoy to Burma, Paulo Sergio Pinheiro, stated that there remained around 1,200 to 1,300 political prisoners in the country.

The military presented a similar reform plan in 1993 and called a national convention to discuss its proposals. But the affair proved to be a farce. Not only did intelligence officials monitor all discussion, but the presentations were censored in line with the regime's interests. When a delegate from the ethnic Shan minority slightly revised his vetted speech, he was immediately ordered to stop. The so-called convention collapsed in late 1995 when the NLD walked out in protest.

While several organisations based on the country's ethnic minorities have indicated that they will participate in a new national convention, the NLD has not committed itself to any involvement. Washington's non-attendance at the Bangkok forum is an indication that the Bush administration is not interested in a deal with the military but wants a "regime change" in Rangoon.

The US stance provoked a bitter response in Rangoon, which pointedly referred to the US invasions of Afghanistan and Iraq and the installation of undemocratic puppets in those countries. A statement released on December 17 declared that Iraq and Afghanistan demonstrated that "making the transition to democracy is not a simple, quick or easy task". But to prevent an economic catastrophe, the junta may have little choice but to bow to Washington's dictates and reach a deal with Suu Kyi.



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