Building Democracy in Burma

Priscilla Clapp
Former U.S. Chief of Mission in Burma, 1999-2002
There is no easy answer to the question of whether and to what degree external actors should intervene to trigger or force transition in extreme cases of autocratic or failed governance. Often in the zeal to hasten the demise of bad regimes inadequate consideration is given ahead of time to how the international community can best prepare a backward country for effective democratic governance. Burma – a prime case of arrested development brought about by decades of stubborn, isolationist military rule – provides ample illustration of this dilemma. The great hope for instant transition to democracy that was raised by the 1990 parliamentary elections in Burma was dashed almost immediately by the failure of the military regime to seat the elected parliament. Motivated by despair, many governments adopted policies making regime change a sine qua non for engagement with Burma, hoping this would force the military to follow through on its original promise to return to elected government. Seventeen years later, however, the military remains firmly entrenched in power and the country’s political, economic, and human resources have seriously deteriorated. Even if an elected government could be seated tomorrow, it would find itself bereft of the institutions necessary to deliver stable democratic rule.

Starting from the assumption that some degree of transition is inevitable in the not-too-distant future, this study explores the depth of Burma’s deprivations under military rule, focusing on questions of how to make the country’s political, social, and economic institutions adequate to the task of managing democratic governance. It identifies the international mechanisms available to assist in this task, as well as innate strengths that can still be found in Burma, and it discusses what the limitations on assistance might be under various scenarios for political transition. Concluding that some degree of political transition will have to be underway before it will be possible to deliver effective assistance, the study suggests that the most productive policy approaches will require greater coordination and collaboration with Burma’s Asian neighbors.

USIP Working Papers are unedited works in progress and may appear in future USIP publications, peer-reviewed journals, and edited volumes. This product is only distributed online and does not have a hard copy counterpart.
## CONTENTS

**Building Democracy in Burma** ................................................................. 2

1. Introduction .................................................................................................................. 2
2. Historical Background ................................................................................................ 6
3. Conditions in Burma Today ....................................................................................... 14
   3.1 The Nature of Military Governance ....................................................................... 14
   3.2 Its Impact on the Economy ..................................................................................... 16
   3.3 Governance and the Capacity of State Institutions ............................................... 22
   3.4 Health and Education ............................................................................................ 23
   3.5 Rule of Law ........................................................................................................... 26
   3.6 The State of Civil Society and Non-Governmental Institutions ......................... 26
   3.7 Religious Institutions ............................................................................................ 29
4. Considering the Possibilities for Transition ............................................................. 31
   4.1 The SPDC model for gradual transition ................................................................. 31
   4.2 Transition triggered by regime infighting or internal coup ...................................... 33
   4.3 Transition triggered by an unexpected, unforeseen event ......................................... 34
   4.4 Transition triggered by widespread social unrest/economic distress ....................... 34
   4.5 Violent Overthrow ................................................................................................ 35
5. Challenging Traditional Notions of Transition and Democratization ..................... 36
6. Burma’s Most Urgent Needs and Potential Areas of Strength ................................. 38
   6.1 Economic ............................................................................................................... 38
   6.2 Political .................................................................................................................. 43
   6.3 Health and Education ............................................................................................ 45
   6.4 Security .................................................................................................................. 48
7. Sources of International Assistance ........................................................................... 49
   7.1 International Financial Institutions ......................................................................... 51
   7.2 UN Agencies .......................................................................................................... 52
   7.3 International NGOs ............................................................................................... 53
   7.4 Donor Governments .............................................................................................. 54
   7.5 Exile Resources ...................................................................................................... 55
8. Adjusting International Assistance and Policy to Different Scenarios ....................... 56
9. Conclusions and Policy Implications ......................................................................... 59
   9.1 China and India ...................................................................................................... 60
   9.2 ASEAN .................................................................................................................. 62
   9.3 The United Nations ............................................................................................... 63
   9.4 The United States .................................................................................................. 63

**Appendix 1. Principles For Good International Engagement in Fragile States** .......... 67

**ABOUT THE AUTHOR** ......................................................................................... 72

**ABOUT THE UNITED STATES INSTITUTE OF PEACE** .............................................. 72
Building Democracy in Burma

PRISCILLA CLAPP
Former U.S. Chief of Mission in Burma, 1999-2002

1. Introduction

Noted observers of trends in democratic transition reckon that the last quarter of the twentieth century may prove to be “the greatest period of democratic ferment in the history of modern civilization.”¹ The disintegration of the Soviet Union and dissipation of the East-West divide gave dramatic impetus to this trend, providing us with a wide perspective on the process of political transition and the many pitfalls faced when striving to replace entrenched autocracies with pluralistic liberal democracy. Eastern European states under the sway of Soviet communism represent an example of relatively stable and orderly transition in which political and economic development were supported by a wealth of underlying institutions and encouraged by the prospect of joining the European Union. On the other hand, former Soviet republics that became independent states have, with the exception of the Baltics, experienced more difficulty shedding the Soviet heritage of authoritarian government, centralized economic controls, the culture of corruption, and unfamiliarity with individual rights and responsibilities inherent in democracy to develop effective political and economic institutions. While they have all experienced political transition, it has not necessarily brought these new countries closer to liberal democratic governance.

The same period has seen generally positive trends in Asia, where a number of countries formerly dominated by military regimes have undergone successful political evolution toward democracy, buoyed by strong economic growth and the development of free market economies. Economic globalization and the end of the cold war have also given rise to political and economic liberalization in China and Vietnam, despite the persistence of communist political structures. Both countries are now engaged in full-scale economic, social, and political reform that appears to be paving the way for

eventual pluralistic governance of some sort. By contrast, political transition in Africa during this period has been generally characterized by inability to build stable political and economic institutions to bridge and offset tribal rivalries and competition over resources. Although there are notable exceptions, more often than not, African countries have struggled with the process of nation building, including the creation of central state structures strong enough to serve disparate constituencies adequately.

Even Latin America, which appeared by the early 1990’s to be a continent in transition to vibrant, stable democracy, by the turn of the century was experiencing dangerous trends in economic stagnation and, in some cases, authoritarian perversion of democratic rule. Although the hemisphere’s military governments had largely been replaced by civilian democratic structures and economic growth had been robust in the mid-90’s, other internal and external forces were working against the smooth development of economic, social, and political institutions that would help the emerging democracies deliver the expected fruits of democracy to their people. In some countries, state institutions were not adequate to cope with criminal drug cartels and militias, as well as rampant corruption. In many places political institutions, legislatures, and judicial systems were still too weak to deliver reliable governance, although great strides had been made in some of the larger, more established democracies.

Encouraging political transition that provides space and peaceful evolution for all elements of a society is an extremely complex proposition. No two cases are the same and no single element of democratic behavior, such as the formation of political parties, elections, religious freedom, free markets, freedom of the individual, racial and gender equality, can provide the magic solution. Social, economic, and political development must be comprehensive to lay the foundation for stable pluralistic government. In some countries, such as Poland, Hungary, the Czech Republic, and South Africa, a sense of national identity and purpose has been strong enough to overcome tribal and ethnic differences. Moreover, solid economic structures and considerable previous experience with civil and political plurality have allowed their societies to navigate relatively smooth, but nonetheless revolutionary, transitions. In countries where diverse societies have been held together by autocratic rule, which purposely exacerbates internal animosities and impedes the development of complex civil society, transition has often been plagued by internal conflict and tension, making democratic outcomes all the more difficult. In
fact, not only does the lack of political and civil institutions and a reliable economic structure, let alone civil tolerance among diverse ethnic and religious groups, impede and prolong transition to pluralistic governance, it often sets the scene for anarchy and reversion to autocratic rule.

When it comes to the question of whether and to what degree outside actors should intervene to trigger or force transition in extreme cases, where autocratic or failed governance is brutalizing people, there is no easy answer. If the horrors of ethnic cleansing in the former Yugoslavia or Rwanda taught us what may happen when the world lets nature take its course, then the American intervention in Iraq to topple the Saddam government can be seen as a lesson in the dangers of acting decisively to force regime change. In both cases, the international community has, to some extent, inherited the responsibility for dealing with the chaotic consequences, struggling with the extreme difficulty of fostering democratic institutions and effective free market economies in societies that have not yet learned how to negotiate among themselves. Yet the profound frustration in advanced democratic societies with the senseless and seemingly needless brutality of extreme dictatorships, particularly those who threaten their neighbors, often creates public pressure on these governments, as well as on international institutions, to force change, regardless of the consequences. In most cases, it is simply assumed that any outcome would be better than the present state. Unfortunately, in the zeal to hasten the demise of bad regimes, inadequate thought is given ahead of time to how the international community can best deal with the aftermath of “regime change.”

These are the dilemmas that confront us in contemplating how to deal with one of East Asia’s two remaining anomalies to the generally positive political trends underway in the rest of the region -- the truculent, intractable military dictatorship in Burma.² U.S. policy toward Burma has, since 1990, been premised on the requirement to seat an elected parliament before serious international economic, humanitarian, and other forms

---
² The other Asian anomaly, North Korea, presents a somewhat different set of issues, because considerable thought and planning, especially in South Korea, has been devoted to dealing with the likely consequences of regime change in this case.
of material assistance can be undertaken. This premise has, in turn, had the effect of confining policy discussion in the U.S. to the question of how to unseat the stubborn military regime. Discussion of policy toward Burma seems generally to assume that, because the country succeeded in electing the main opposition party overwhelmingly in 1990, the removal of military rule would *ipso facto* allow democracy to flourish. In fact, however, many of the same expectations held by senior officials in the Bush Administration that regime change would allow democracy to spring forth and flourish in Iraq may be just as misguided in the case of Burma, because decades of politically repressive and economically regressive military rule have left the population without the tools to navigate the troubled waters toward stable, pluralistic, democratic governance.

This study will focus not on questions of how to bring about political transition in Burma, but rather on how to make the country’s political, social, and economic institutions adequate to the task of managing democratic governance, once transition is underway. It will begin with the premise that some degree of change is inevitable in Burma within a not-too-distant timeframe and that, therefore, the international community should be concerned now with identifying the most appropriate forms of assistance and intervention to help Burma develop the means for sustaining stable democracy, a dream that eluded the country fifty years ago. The study also proposes – as will be explained in subsequent sections -- that effective international assistance to address economic, health, humanitarian, and governance deficiencies is simply not possible under the current government and that political transition, or at least the beginnings of political transition, will be necessary for serious work to begin on building and rebuilding Burma’s social, economic, legal, and governmental institutions. Although this task will require substantial and wide-ranging international assistance, there are also many positive elements inside Burma today that can be encouraged to develop rapidly once transition is underway. In addition to surveying potential international resources for assistance, the study will attempt to identify the most important of Burma’s inherent strengths, some of which might be bolstered by international assistance even before serious transition is underway.

In brief, this study is not concerned so much with current bilateral or international policy options or political initiatives aimed at forcing change in Burma. Rather, it anticipates a point in the future when transition - in one form of another - will be
underway and when serious, effective international assistance and investment may be possible. We will begin with a brief review of post-colonial political developments in Burma and then explore in more detail the degree to which political, economic, and social development in Burma has been arrested and distorted by decades of harsh authoritarian rule. We will then postulate a series of possible scenarios for transition in order to evaluate how the form that transition takes may affect the possibilities for assisting the development of the institutions and conditions necessary for stable democracy.

2. Historical Background

A textbook case of arrested development, Burma falls more in the pattern of post-colonial Africa than it does Asia. From nearly a century of British colonial rule it inherited the structures and institutions of free market parliamentary democracy, but like many countries in Africa, was not able to translate these into an enduring foundation for sustainable democratic governance. The quasi self-rule that obtained in the latter colonial years produced a functioning parliamentary system after independence, but did not succeed in developing a sense of national identity and common interest for Burma’s multi-ethnic society as a whole. Furthermore, preferences within the ethnic Burman ruling elite for socialist, centrally controlled economic structures derailed the development of a vibrant market economy. The underlying political ferment and discontent within the non-Burman ethnic groups and the deep political divisions among those elected to government created fertile ground for the country’s strongest institution – the military – to grasp the reins of power in the name of bringing order to the country’s chaos.

Independent democratic governance in Burma lasted less than 14 years. Since 1962, the country has been ruled continuously by army generals, who have steadily and inexorably brought almost all of its political, social, and economic life under strict military control. Even as other military governments in Asia were giving way to civilian governance and budding democracy in the latter decades of the 20th century, Burma’s military leaders were tightening their harsh controls and systematically draining the strength from civilian institutions, effectively sapping Burmese civilian society of its ability to take collective responsibility. At the end of the long reign of General Ne Win in 1988,
a popular uprising against military rule, inspired by student activists, was brutally suppressed by the army. In the aftermath, a triumvirate of generals emerged at the head of a new military regime. Apparently attempting to return the country to a form of military-controlled parliamentary government (as had prevailed under Ne Win), the generals held an election in 1990, in which their chosen party failed to win the majority vote and was, on the contrary, overwhelmed by the large vote for the opposition. Stunned by the outcome, the generals refused to seat the elected parliament, insisting that a new constitution would have to be drawn up first under terms dictated by them. The party that won the election in 1990, the National League for Democracy (NLD), and its charismatic leader Daw Aung San Suu Kyi were effectively excluded from the constitutional process and subjected to harsh repressive measures, including jail. More than 15 years later the new constitution has yet to emerge and the forces of political opposition are repeatedly constrained and harassed by the regime.

Interestingly, for a few years during this period, until mid-2004, there were some tentative openings to the international community from the military regime, spurred largely by one of the three ruling generals – General Khin Nyunt - who, unlike the other two, seemed to recognize that progress and prosperity would elude Burma without wider exposure to the outside world. He understood that, in order to facilitate the regime’s trade and investment goals, certain concessions would have to be made to assuage international concern about the lack of political transition. As a consequence, a portion of the economy was opened to free market commerce and foreign investment was solicited. One of the most enduring results of the new foreign investment was development of an infrastructure for tourism, opening Burma to a wider range of foreign visitors than previously during the period of military rule. At the same time, UN assistance agencies and international NGOs were allowed to establish programs in various areas of the country to address health, education, agriculture, income generation, refugees, and a variety of humanitarian problems. The ICRC (International Committee for the Red Cross) was given access to the large prison population, most importantly the political prisoners who had been languishing in detention for a decade or more. The ILO (International Labor Organization) was able to post a representative in Rangoon to address the problem of forced labor. Burma became a member of ASEAN (Association of Southeast Asian Nations) and began participating in regional activities. Under the guidance of General Khin Nyunt, Burma’s foreign policy became more
interactive, particularly in the Asian region. Finally, in the 2000-2003 timeframe, the military leadership agreed to talk directly with Aung San Suu Kyi and the NLD about conditions for establishing a multi-party political system. As a consequence of the talks, in 2002, Aung San Suu Kyi was allowed freedom of movement within the country for the first time since 1989. Unfortunately, when it became obvious to the generals that Aung San Suu Kyi’s popularity had only grown during her long years of detention and isolation, she was arrested once again and, after a few months in prison, has been held under house arrest since September 2003.

Aung San Suu Kyi’s arrest also signaled the beginning of the end of General Khin Nyunt’s membership in the ruling triumvirate. He continued during the ensuing year to pursue an active foreign policy agenda, attempting to mitigate the international fallout from the attack on the NLD, and to reestablish the groundwork at home for including the NLD in a managed political transition. (In fact, one close observer believes that Khin Nyunt’s team’s discussions with Aung San Suu Kyi and the NLD leadership during 2003-2004 concerning the terms of their participation in the National Convention were even more serious and potentially productive than the “confidence building” period of 2000-2002.) However, Khin Nyunt was apparently becoming a thorn in the side of the highly autocratic top general, Senior General Than Shwe, perhaps because he appeared to be aggrandizing his own position within the ruling triumvirate by taking the lead in political transition. On the eve of the reconvening of the National Convention in May 2004, the SPDC rejected the understandings General Khin Nyunt’s team had reached with the NLD for its participation. General Khin Nyunt was unceremoniously arrested in October 2004 and subsequently sentenced to 44 years in jail (which he was then allowed to serve under strict house arrest). The military and civilian structures under his authority were dismantled and more than 30,000 military forces were discharged, demoted, or sentenced to long jail terms. Several ministers were fired and threatened with punishment. Many members of the business community, who had profited from Khin Nyunt’s patronage were disenfranchised. The remaining two military factions,

3 Interview with an international mediator who worked with both the SPDC government and Daw Aung San Suu Kyi.
associated with Generals Than Shwe and Maung Aye respectively, competed with each other to grab the spoils of Khin Nyunt’s purge.

In a matter of months, the various openings to the international community inspired by Khin Nyunt began to close. Burma’s diplomacy within the region and with the United Nations withered. The UN Secretary General’s Special Envoy for Burma, who had helped broker the earlier talks between the government and Aung San Suu Kyi, was denied access to Burma and finally quit in frustration. The UN Human Rights rapporteur was also blocked from visiting the country. New constraints were levied on the activities of UN agencies and international NGOs in Burma. The ICRC was denied access to prisoners without the accompaniment of government agents, and the ILO representative was subjected to death threats. Burma’s relations with ASEAN began to deteriorate, largely because of ASEAN’s reaction to the negative turn of events, but also due to inept diplomacy on Burma’s part. Under pressure from ASEAN, Rangoon agreed to postpone its presidency of the organization in 2006, until such time as it had made progress with political transition.

In late 2005, things took a bizarre turn when the regime suddenly ordered all government ministries to decamp abruptly from Rangoon to a new, previously undeveloped administrative center in a relatively remote area called Pyinmana, halfway between Rangoon and Mandalay. Thousands of civil servants and military troops, along with their office furniture, were transported in trucks to Pyinmana, where they were left for months to subsist largely without housing, food, electricity, or running water. Vacated government buildings in Rangoon were leased out to Burmese and Chinese companies in return for their services in helping to build the new capital. Former inhabitants of the Pyinmana area, especially in the Karen villages, were brutally displaced from their homes by the army and scattered to other parts of the country. Foreign embassies were given two years to relocate to Pyinmana, as well.  

The generals undoubtedly took their cue for this move from historical patterns during Burma’s days of empire. In his history of Burma, The River of Lost Footsteps (2006), former UN Secretary General U Thant’s grandson Thant Myint-U describes how ancient Burmese kings would suddenly move lock, stock, and barrel to a new capital, carrying even the walls and beams from their palaces to reconstruct them in the new capital. The old capital would be largely depopulated and shorn of its royal trappings.

---

4 The generals undoubtedly took their cue for this move from historical patterns during Burma’s days of empire. In his history of Burma, The River of Lost Footsteps (2006), former UN Secretary General U Thant’s grandson Thant Myint-U describes how ancient Burmese kings would suddenly move lock, stock, and barrel to a new capital, carrying even the walls and beams from their palaces to reconstruct them in the new capital. The old capital would be largely depopulated and shorn of its royal trappings.
Not surprisingly, the mass transfer to Pyinmana, subsequently renamed Naypyitaw (loosely translated as Royal City or Seat of the Kingdom), did not go entirely smoothly. With inadequate utilities, transportation, and communications infrastructure during its first year, the new capital functioned more as a military stronghold than an effective administrative center. By the end of its first year, the intense construction effort devoted to Naypyitaw had produced dramatic results in the form of grand new government ministry buildings, wide avenues, massive apartment blocks for government employees, palatial residences for the top generals, extensive military fortifications and ceremonial facilities, and hotels for visiting foreign guests. Most of the amenities of urban life, however, have yet to emerge and government officials forced to move to Naypyitaw find it difficult to convince families to accompany them and are said to seek every possible opportunity to return to Rangoon. Doing business with the government now requires a much greater investment of time and resources on the part of both Burmese citizens and foreign entities.

In typically Burmese fashion, there has been no satisfactory explanation for the sudden move to Naypyitaw. Although government spokesmen have suggested that it was a strategic necessity to place the seat of government in the center of the country, where it could relate more closely to the various ethnic minorities and ensure stability, few have accepted this as the real reason. Many believe it was inspired more by the irrational fears and ambitions of Senior General Than Shwe, who is believed by some Burmese observers to be increasingly detached from reality as he ages. Than Shwe has made no secret that he equates himself with the ancient Burmese warrior kings and feels a responsibility to restore the glories of Burma’s royal traditions that were abolished by British colonialists. Among other things, it was customary for Burmese kings to consolidate their regimes by building elaborate new capitals to leave their own unique imprint on history. Similarly, there is no doubt among Burmese that the move to Naypyitaw, especially its surprise timing, was conditioned heavily by the leadership’s interpretation of advice from the ever-present astrologers and soothsayers. The emerging outlines of the new capital suggest strongly that the move was inspired fundamentally by a perceived need within the military leadership to remove the final vestiges of colonialism represented by the capital of Rangoon, to return to a bygone era when kings ruled the realm from grand strongholds in the center of the country, to fortify
the government against unwanted foreign influence, and to consolidate a firm ethnic Burman cultural and political dominance in preparation perhaps for the return of some form of parliamentary government.

Whatever its motivation, the capricious move has been a very expensive decision for the government, because in addition to building infrastructure, it has had to offer incentives to military and government officials to buy their acquiescence. In April, 2006, for example, the salaries of all military and civil service employees were increased by a multiplier of between five and twelve, depending on rank and position. In addition to grand residences in Naypyitaw, senior officials have been given new houses in Rangoon for their families to offset the inability or unwillingness of families to accompany government employees to the new city. Many commodities and resources have been diverted from Rangoon to Naypyitaw, creating significant market disruptions and a new wave of inflation in Rangoon, which is home to more than ten percent of the country’s population. As might be expected, the sudden salary increase for government employees propelled the inflationary wave to new heights. As with previous government salary increases, the government simply printed more money to finance it.

By the end of 2005, it became evident that the regime was placing increasing emphasis on its diplomacy with India, Russia, and its long-standing protector China. This is undoubtedly explained by two major concerns: first, the need to generate reliable sources of large-scale external capital to support its strategic goal of building unassailable military domination of every corner of the country; and second, the need for powerful patrons in the international community to offset and prevent any moves in the United Nations or elsewhere to internationalize sanctions on the military government in an attempt to force political transition. Indeed, when the United States and others tried to pass a Security Council resolution on Burma in early 2007, it was vetoed by China and Russia.

Nevertheless, despite outward appearances that its power is unassailable, there are also strong indications that the regime is under increasing pressure both internally and externally. Internally, the purge of General Khin Nyunt and his supporters has exposed strong fault lines within the military leadership that were previously blurred by the trilateral balance of power. The competition between the faction of the senior ranks
aligned with Senior General Than Shwe and that aligned with his deputy General Maung Aye is barely disguised. The placement of general officers in various key military positions is like a game of chess, with Than Shwe and Maung Aye constantly trying to outmaneuver the other, playing by intricate rules of military protocol and tradition. These games add an element of uncertainty to decisions on advancement, placement, and retirement within the upper ranks of the military, leaving everyone off balance. With the two top generals advancing in age and declining in health, they are both trying to outlast each other in order to determine which faction will inherit the mantle of leadership. Considering their age and poor health, the prospect of a generational transition in the military leadership cannot be very far in the future, thus increasing the stakes of the current state of play in the internal competition.

Chief among the external factors weighing on the military leadership is the abysmal state of the economy. Burma’s reliance on imported fuel, its energy shortages, trade deficits, the huge cost of maintaining its unprofitable state-owned enterprises, and many other deficiencies resulting from decades of inept military management leave the economy in a constant state of instability and uncertainty. The bulk of the economy is informal, rife with black market activity and subject to temporary disruptions in the supply of critical commodities, such as rice, cooking oil, gasoline, and electricity. Petty thievery, pilferage, and even murder are becoming more visible, as those at the bottom of the food chain struggle to make ends meet. While the majority of the population ekes out a subsistence existence off the land, the urban population suffers both materially and psychologically from its vulnerability to the regime’s haphazard economic management.  

Although the SPDC appears to be reaping windfall hard currency profits from natural gas deposits, as energy prices rise, we should be careful not to overestimate the significance of this gain. First, the current gas revenues derive mainly from sales to Thailand that have been underway for several years. The significant revenues expected from the underwater deposits off Sittwe will not develop until after 2009. Second, the regime appears to be spending these profits on showpiece projects, such as the new

---

5 Because Burma’s rural economy tends to be largely non-monetary, it is not affected as seriously by inflation as the urban economy. Urban inflation has been spiraling uncontrollably in recent years. Australian economist Sean Turnell (see below) cites IMF estimates that is it now running at about 50 percent annually.

---

This is a working draft. Comments, questions, and permission to cite should be directed to the author.
capital Naypyitaw, its sister city near Maymyo (Pyin Oo Lwin), and a frivolous nuclear research facility, which do not contribute materially to economic growth and the betterment of the country’s population. And finally, there are as yet no visible plans to direct enough of this gas into Burma in order to ease the country’s reliance on imported fuel. As the ADB (Asian Development Bank) noted in early 2007, *Continuing macroeconomic fragility will keep the economy vulnerable to sharp downturns in gas prices, as will shocks such as political strife, poor harvests, or instability in the banking system.*\(^6\) In other words, the gas revenues do not improve economic stability so long as the SPDC refuses to address macroeconomic reform.

Externally driven pressures are also being mounted by the rapid development of new communications technology, such as the internet, satellite telephones, and satellite TV and radio. It is now increasingly difficult for the regime to insulate its urban population from the outside world. The dismantling of the old university structures has not dimmed the thirst for education and knowledge. Many private institutions for advanced education have sprung up and the younger generation is eagerly reaching for modern skills. While the older generation may have become resigned to life under harsh military rule, there is no guarantee that the younger generation, coming into its own today, has the same attitude.

In essence, the ruling military regime is out of touch with reality, internally unstable, and increasingly challenged by competing interests, both domestic and foreign, which it is much less equipped to anticipate and evaluate without the capability of its former intelligence services. Some form of leadership change at the highest level will probably take place in the foreseeable future, if only because both top leaders are elderly and unwell, but this change is only likely to bring another committee of generals to power, at least for a while. The possibilities for real transition appear to be farther out on the horizon. While transition would be greatly facilitated by a decision on the part of the military to proceed with a negotiated transition, including serious reforms, sadly it is more likely to emerge eventually from some combination of internal events, triggered by a convergence between inept leadership decisions and popular frustration.

---

3. Conditions in Burma Today

3.1 The Nature of Military Governance

In many ways, Burma's military regime, the self-appointed SPDC (State Peace and Development Committee), embodies the sum total of the country’s past. Its character has been shaped by every period in Burmese history. The top general Than Shwe considers himself to be the modern embodiment of Burma’s ancient warrior kings and, to a certain extent, he models his deeply authoritarian rule on royal tradition. Like the ancient royalty, the power of the SPDC relies not on popular support, but on popular fear and servitude, using the Buddhist sangha (organization of monks) to legitimize itself with the people. The tatmadaw, today’s Burmese armed forces, traces its roots to the anti-colonialist nationalistic Burmese army, formed originally by General Aung San, and it still harbors all the fervor it once had against foreign control, meddling, and influence inside the country. The military leaders are discomfited by the structures of government inherited from the colonial masters and have indoctrinated their ranks in the belief that Burmese are not culturally suited to Western style democracy and need to be ruled with a firm hand in order to avoid national disintegration. The decision to move the seat of government from Rangoon to Naypyitaw is an apt illustration of these historical characteristics in the military leadership: first, it represents a return to the practice of the ancient kings who would build lavish new capitals to consolidate their respective reigns; second, it can be seen as an effort to expunge the final vestiges of the colonial period by abandoning the capital established by the British, which is still dominated by the old colonial buildings; and third, the regime perceived it as a strategic move to the center of the country from where the military would be well placed to control potential insurgencies. Ironically, Pyinmana was a stronghold of Burma’s Communist Party when it was mounting an armed challenge to the young democracy in the late 1940’s and early 1950’s.

---

7 Thant Myint-U’s River of Lost Footsteps, op. cit., provides an excellent description of all the historical factors over the centuries that have molded the mentality of today’s tatmadaw.

The SLORC/SPDC itself is more or less the natural outgrowth of Ne Win’s socialist dictatorship, maintaining and even tightening military control over the country and clinging to the centralized command economy. Undoubtedly viewing the events of 1988 as the result of deficiencies in Ne Win’s administration, they made a series of adjustments over the years to avoid a repeat of these events. There were, for example, adjustments in economic management to allow a small sector of free market activity and attract foreign investment, to bring more commodities and natural resources under the direct control of the military (at least in part to improve the military’s revenue stream), and to regulate more carefully the supply of essential commodities in urban areas to avoid disruptions that might trigger riots. There were also adjustments to the educational system to reduce the potential for student movements and protests by scattering the universities and abolishing dormitories. Ne Win’s personal rule was replaced by a committee structure dominated eventually by three senior figures, Generals Than Shwe, Maung Aye, and Khin Nyunt. With the removal of General Khin Nyunt from the triumvirate in 2004, however, the SPDC seems to have reverted to the pattern of personal whimsy that characterized Ne Win’s regime, with General Than Shwe now providing the dominant personality.

The twelve members of the SPDC today are all military officers holding the most senior responsibilities in the army hierarchy. Cabinet ministers are also, with only two exceptions, military officers with little or no background in governance. The SPDC does not meet on its own as a body, but joins the once monthly cabinet meetings and the thrice yearly meetings of all senior cabinet and military officials at which broad policy and strategic issues, including military activity, are decided. The Vice Senior General Maung Aye chairs the Trade Policy Committee, which meets once a week and rules on all decisions, both general and detailed, affecting external and internal economic regulation. Senior General Than Shwe chairs the Special Project Implementation Committee and the Special Border Projects Committee, which approve all decisions on major economic undertakings, such as resource concessions (mining, forestry, etc.), infrastructure construction (bridges, dams, irrigation, etc.) energy projects, and agricultural policy. Than Shwe’s committees are more consequential than Maung Aye’s committee, although together they make all major economic decisions and are responsible for the irrational and seemingly haphazard quality of the government’s
approach to economic policy. The generals, especially Than Shwe, do not ask for advice, and those beneath them do not dare to give it. Facts are routinely constructed to meet perceptions of what the generals want to do or believe about the economy. Unpleasant facts are scrupulously avoided. Those at the top framing the issues and making the decisions have little to no expertise in economic management and lack long-term vision. Their main concern is simply to make it through another day without any serious challenge to their absolute rule. In the end, however, the inner workings of the Burmese military hierarchy are largely inscrutable, even to those inside the regime. The internal dynamics of the armed forces are deliberately hidden and the essential decisions are made at the top with little involvement of people at lower levels.

Ultimately, the absolute power of the SPDC may be more a matter of appearance than of reality. In a recent monograph, noted authority on Burma, Mary Callahan argues that the SPDC apparatus exercises little coherent and absolute control over day-to-day governance in Burma, because it is unable and unwilling to impose its authority consistently on government agencies that tend to operate against each other, often at cross purposes with stated government policy and local forces tend to govern life in outlying ethnic areas. Furthermore, government officials, military authorities, and various economic actors routinely participate in the informal and illegal economy, according to their own rules, in order to support themselves. She concludes that, The scale of corruption by government officials -- unprecedented in postcolonial history -- may indeed represent the most significant limit on state omnipotence. Thus the degree to which the SPDC actually rules the lives of the country’s citizens varies widely from one region to another, with the outlying ethnic areas being largely the domain of alternative powers.⁹

3.2 Its Impact on the Economy

Aside from humanitarian considerations, the most serious result of four decades of autocratic, inward looking military rule in Burma is the creation of massive

macroeconomic distortions.\textsuperscript{10} As one of the preeminent external observers of the Burmese economy, Sean Turnell, has described it: \textit{Burma has a deeply unstable macroeconomic environment}. The country lacks the fundamental institutions of a market economy, policy-making is arbitrary and uninformed, inflation is rampant, the currency is distrusted and trades via a multiple of exchange rates, unemployment is endemic, taxation is chaotic and the Government finances its spending by printing money. To this list can then be added all-pervasive corruption, a growing trade deficit, foreign debt arrears, the imposition of economic sanctions and negligible foreign investment (Turnell 2006). Burma, in short, is in possession of almost every conceivable macroeconomic malady.\textsuperscript{11}

These distortions are so serious today that they constrain the capacity of the national economy for sustained development and make it very difficult for foreign investment or foreign economic assistance to contribute to sustainable economic development. Most land is held by the government and cannot be used to leverage capital, the banking system does not function in support of economic growth, but acts rather as a siphon for hard currency to offset massive government deficits. Local currency devalues so rapidly that entrepreneurs have no incentive to monetize their profits. Foreign economic assistance is directed mostly at infrastructure projects designated by the military, which may or may not have an economic development rationale.

How the military government approaches decisions on the development of the country’s sizeable offshore gas reserves is a case in point. When Total and Unocal developed the Yadana gas deposit, they proposed not only to build a pipeline eastward to provide gas to Thailand for hard currency profits, but also to run a separate pipeline in


\textsuperscript{11} Sean Turnell, “A Survey of Microfinance in Burma,” in \textit{Burma Economic Watch}, No. 1, 2005, online resource of Macquarie University, Australia.
the direction of Rangoon to supply Burma with the energy it needed to develop industry and generate electricity for the large urban center. The cost of the second pipeline would have been financed easily by the profits from the pipeline to Thailand. The top general, however, ruled against the second pipeline, reportedly because he believed the price tag was too high and he could only conceive of the project as a net economic loss. At the present time, India, China, Singapore, and South Korea are competing to pay the SPDC many billions of dollars to extract natural gas for export from another large off-shore deposit. Right now the SPDC appears to have no plans to divert any of this fuel into Burma itself for power generation and economic development. It seems interested primarily in harvesting the hard currency returns for its own discretionary use. Thus, despite windfall profits from energy exports, the country’s economic development will continue to be severely constrained by lack of access to energy and investment capital.

Another telling example of this syndrome can be found in the recent study of UNDP’s experience with micro-finance projects in Burma by Australian economist Sean Turnell, which found that the greatest stumbling block to making micro-finance sustainable was the plethora of underlying macroeconomic distortions, most especially the monetary system. Even after years of negotiation with government agencies, UNDP has not succeeded in fostering the legal instruments necessary to allow micro-finance schemes to sustain themselves independently or to connect with the legal banking system, primarily because the Ministry of Cooperatives has been unwilling or unauthorized to draft laws legalizing microfinance practices.  

Successive military regimes in Burma have managed to keep the economy at a bare subsistence level because the military leadership controls most of the country’s means of production through one device or another and holds the key monetary mechanisms in its own hands. Although there are a number of private enterprises, they operate at the pleasure of the military authorities and must pay princely bonuses to individual military officers in order to survive. If they do not, they are quickly taken over

12 Ibid.

by the military authorities. Although there is a handful of private banks, none of them is allowed to handle hard currency; this function is reserved exclusively for the two government-controlled banks, the Myanmar Foreign Trade Bank (MFTB) and the Myanmar Investment and Commercial Bank (MICB), whose coffers of hard currency are regularly diverted to military priorities. There are at least four widely different exchange rates for kyat, the local currency, against the dollar: the official rate of roughly 6 kyat to the dollar;\textsuperscript{14} the customs valuation rate of 850 kyats to the dollar; the official exchange rate of one dollar-denominated Foreign Exchange Currency (FEC) to the dollar, and the unofficial black market rate, which is currently hovering between 1250 and 1350 kyat to the dollar. The FEC also trades on the black market at a slightly lower exchange rate than the dollar. The government itself often sanctions crony trading firms to buy dollars on the black market in order to purchase commodity or other essential imports. This, of course, can create a spike in kyat devaluation against the dollar, which the government then attempts to control by arresting the money traders.

Military leaders control trade policy, taxing both imports and exports and often banning the export of certain food commodities in order to manipulate the domestic market. Shortages and distortions in the supply of basic commodities, such as rice, cooking oil, gasoline, and electricity, are common occurrences that can most often be explained by shortsighted, politically motivated decisions by the top military leadership. While the regime maintains elaborate controls over the production, distribution, import, and export of these commodities, fears about the political consequences of commodity shortages regularly cause sudden policy changes in one area without any regard for how this may affect activity in another area of the economy. This policy capriciousness is compounded by the constant demand the military system itself puts on the supply of food, gasoline, and electricity.

The way the military government manages the country’s rice production and marketing provides another telling example of its general approach to economic management and is worth exploring here in some detail.\textsuperscript{15} Since Ne Win’s time, all

\textsuperscript{14} The official rate is actually pegged to the IMF SDR, but it works out to approximately 6 kyats to the US dollar.

\textsuperscript{15} The discussion of rice management is taken from a research paper by Pen Incognito, entitled “The Sanction that Kills,” which was written by a Burmese student as an academic work. An accomplished

\textit{This is a working draft. Comments, questions, and permission to cite should be directed to the author.}
agricultural land in Burma has belonged to the state, which grants inheritable “land tilling rights” to farmers. In return for these rights, farmers must meet annual production targets set by the state and sell most of this production to the state at a fixed price. The farmer is allowed to keep only enough rice to feed his or her household. Failure to deliver the compulsory quota can result in a farmer’s arrest and termination of land tilling rights. A central authority then distributes the rice to urban and rice-deficit areas throughout the country for sale at a subsidized rate, according to family quotas. The highest quality rice is held back by the central authority for export.

Recalling that rice prices had become a rallying cry for the 1988 uprising in Rangoon, the SLORC/SPDC established elaborate structures for regulating rice supply in urban areas through arbitrary controls over exports and domestic prices. As the author of this case study describes, after 1988, the Rangoon Military Command began to hold frequent meetings with the leadership of the Rangoon Chamber of Commerce. Major traders were routinely rebuked in those ‘meetings’ whenever the prices rose to a politically incorrect level. Rangoon Command also imposed a ceiling on bills the transporters could charge in moving basic commodities. A special committee was formed with the sole purpose of streamlining the loading and unloading of cargo in Rangoon port. Import and export of basic commodities are kept under constant surveillance.  

It was therefore encouraging in early 2003, when the SPDC announced that it would liberalize the rice market, ending government involvement in the rice trade and allowing private entrepreneurs to run the rice trade, including exports. Subsequently, rice production in the 2003 monsoon season rose to the highest level in ten years and rice traders signed many contracts with foreign importers. The government, however, had not provided a mechanism for keeping domestic rice prices within an acceptable level to ensure supplies for the urban poor and it had done nothing to correct or even take into account the serious underlying macroeconomic distortions. In January, 2004, economist, the student cannot risk identification for fear of being jailed in Burma for his scholarly integrity and candor.

16 Ibid, p. 8.
when it was clear that rice prices were soaring in the unregulated domestic market, the government made an about-face, banning further rice exports and returning to its original methods of regulating rice production and sale. The government was clearly not prepared to risk the potential for rice shortages to spark unrest in urban areas, especially Rangoon. Indeed, rice prices dropped immediately by more than 40 percent when the export ban was announced.

Noted international political economist Stefan Collignon has concluded that two fundamental conditions underlie the severe economic distortions that the country faces today. First is the failure of successive military regimes to develop confidence in the domestic currency, without which there can be no development of domestic assets. The government has established the practice of simply printing money to cover debt, thereby increasing the volume of kyat in circulation in the absence of an expanding economy and leading inevitably to rapid devaluation of the kyat against foreign currencies and property. Inflation is so rampant that wealth owners are unwilling to bank or monetize their capital and give impetus to economic development. So long as the military feels the need to control the monetary system arbitrarily and in secrecy to ensure its own strength and well-being, there can be no correction of this basic economic weakness.

Second is the lack of secure property and individual rights. The very concept of rights accorded the individual in a liberal democratic setting in terms of both property and human rights, has never had a chance to take hold in Burma. As Collignon explains, the essential element that establishes people’s trust in democratic government is the trade off between the interests of the collective, which are established by how the majority votes, and the interests of the individual, which are protected by the individual’s claims against society in the form of guaranteed human rights and property rights, through which they may make claims against other individuals. Needless to say, this concept is entirely absent under the current military rule in Burma and only dimly perceived in the majority of the population.

Thus the significance of the severe economic distortions in Burma is not only economic, there are profound political implications. As Collignon has put it: Because the monetary economy is severely distorted and property rights are neither clearly defined nor enforced, … the value references of an individualistic society are not … sufficiently reproduced in Burma’s daily life. Hence, dialogue and compromise, but also the cognitive framework for human rights, remain alien concepts.\textsuperscript{18} We will return to this point later, but suffice it to say here that there is a fundamental and inseparable connection between the deficiencies in Burma’s economy and the deficiencies in its political governance. They must both be addressed simultaneously to make democratic governance sustainable.

3.3 Governance and the Capacity of State Institutions

Burma’s state institutions, like almost everything else, have deteriorated badly under military rule. At both national and local levels, the structures of government function more or less as instruments of the military through the mechanisms of the SPDC and the army’s regional commands, although with certain key exceptions. For example, the military structures are almost nonexistent in some ethnic areas, such as the Wa and Kokang, and most ethnic areas also have their own militia and local government authorities. Furthermore, in recent years, the SPDC has been replacing military authorities at the local level with civilians, who are often retired military.

In the central government the traditions of an educated and dedicated civil service that carried over from the colonial period have largely dissipated as senior and mid-level ministry positions have been filled with military officers and their families on the basis of patronage and not merit. When Ne Win took control of the government, he fired most of the talented civil servants who had been trained during the colonial years, and many more experienced public servants were forced out of government for political reasons in the aftermath of 1988. The rush to “militarize” ministries at all levels has accelerated in recent years, as the SPDC appears to prepare for restoration of

\textsuperscript{18} Ibid, p. 82.
constitutional government. It is not surprising under these conditions that government institutions are rife with corruption and sheer incompetence.

Perhaps most debilitating of all is the concentration of almost all decision making power in the very top levels of the military leadership, where the SPDC and its committees dictate policy to the civilian bureaucracy. This leaves the institutions of government with very little authority over decisions and consequently little sense of responsibility. The military’s supremacy over the allocation of national resources deprives civilian ministries of adequate means to perform their functions properly. Civil servants are paid so poorly that they must use whatever bureaucratic power they have for personal gain in order to support their families, thus entrenching corrupt behavior as a norm. This syndrome pervades military structures, as well, especially at mid and lower levels where salaries do not support basic necessities. To the extent that individual military officers are enriching themselves lavishly from their positions in government, it is largely at the highest levels, both nationally and regionally.

On the whole, Burma’s state institutions have almost no capacity to provide governance. All direction comes from the military leadership, which – like the Communist Party in the former Soviet Union – serves as the central nervous system for the organism of government. In addition, a culture of corruption and irresponsibility acts as a cancer on the organism, guaranteeing that the bureaucracy will take every opportunity to translate the functions of government into rent-seeking activity and not into service of benefit to the community.

3.4 Health and Education

With the lion’s share of the government’s resources being devoted to the needs and priorities of the military, there is very little left to meet the needs of civilians. The country’s bloated army enjoys the services of a separate health and educational system, which is, in some places, much better than those provided for the civilian population and, in other places, at least marginally better. By contrast, the government’s health and educational services for civilians have been deteriorating for many years, starved for funds, and attracting fewer qualified and dedicated professionals. Today people are forced to pay relatively large amounts of money to get any value out of government health services and schools. Government hospitals, clinics, doctors, and nurses
generally charge a large fee up front before dispensing any care to patients. Those who cannot afford the fee are left to fend for themselves. Medicines, modern medical equipment and supplies are in short supply and can be very expensive when available, because they all have to be imported. This leaves the poorest people in both urban and rural areas with little access to real medical care, a fact which is reflected in the country’s poor health indices. For example, the incidence of HIV/AIDS is approaching African proportions with an adult prevalence rate of 1.2 percent in 2005. According to UNICEF, in 2004 infant mortality was 76 per 1,000 for children under one and 105 per 1,000 for children under five.

Recent years have seen the rapid growth of private medical services to fill gaps in the government system, including private hospitals and clinics financed by foreign investment. The foreign-financed services are generally better than the government facilities, but are often well beyond the means of most Burmese to afford. There are, however, a number of inexpensive private clinics here and there, run by doctors, who are not allowed to practice in the government system because of their perceived sympathy for the country’s democratic forces. Unlike government facilities, these clinics provide medical care first and collect fees later, thereby ensuring that the very poorest can be served. UN agencies, such as WHO, UNDP, and UNICEF, have engaged in limited programs with the government health system in an attempt to reach the underserved civilian population, as have some international NGOs. International assistance, however, can only be a drop in the bucket under the current circumstances, because the military leadership imposes difficult restrictions on the operations of international groups and attempts, when at all possible, to extract money or expensive equipment from them as a cost of doing business with government ministries. All international assistance groups are required to partner with one or more government ministry or department.

The government educational system has also become increasingly expensive, often leaving the poorest without access to primary, let alone secondary education.

---

Schools must be financed by local communities or a private benefactor. The government provides teachers and curriculum, but the teachers are not paid a living wage by the government. Their salaries must be supplemented by the local community. To increase their wages, teachers provide private tutoring outside of normal school hours and make it clear that students will not graduate without such tutoring. In Rangoon, where the dearth of schools has made it necessary to run double sessions in primary and secondary schools, the amount of time spent on formal class work, as compared with private tutoring, is said to be less and less. Furthermore, the deterioration in higher education with the dispersal of the university system over the past decade has had a serious impact on the quality of the teachers in the public school system. On the whole, the public education system in Burma leaves a large proportion of the population with limited or no access to schooling. Only an estimated 30 percent of the country’s youth today completes primary school.  

Aside from providing too little education to its students, the curriculum of the Burmese educational system is based largely on rote methods of learning, which leave even those with advanced degrees unequipped to think analytically. Many of the subjects fundamental to good governance and democratic political activity are simply not taught. There is an enormous education gap, from primary all the way through tertiary levels.

Since General Khin Nyunt’s purge in 2004, the operating environment for international assistance organizations addressing health, education, and poverty has deteriorated significantly. It appears that the prevailing powers in the regime believe that international assistance constitutes a form of intervention in their “internal affairs” and that international aid workers often act as “intelligence agents,” seeking to liaise with insurgent groups. Many of the small advances that had been achieved earlier in addressing some of the country’s most difficult problems have dissipated under the weight of new restrictions on the ability of international organizations to operate outside of Rangoon. In particular, the government has been trying to force international agencies to work with or through the USDA (Union Solidarity Development Association, the regime’s monster civilian arm), apparently attempting to channel the assistance to

the regime’s favored groups and enhance the public appeal, authority, and resources of the USDA. USDA itself seems to be expanding its control of the civilian population throughout the country, in some cases even challenging the authority of regional military commanders.

3.5 Rule of Law

There is no rule of law in Burma today. Although there are laws, courts, and other legal structures that were established under colonial rule, they have ceased to function legitimately, because they have been manipulated and misused for decades by the military to punish perceived enemies and harass the civilian population.

The outcomes of trials concerning political activists or critics of the regime are decided arbitrarily beforehand, so-called evidence is manufactured, and only those arguments leading to a guilty verdict are allowed by the judge. Often defendants cannot have a lawyer of their own. People are routinely imprisoned for political reasons and there is a constant level of between 1,000 and 1,500 political prisoners languishing in prison, as some are released and others are taken in. The harsh legal system is fortified by layers of surveillance, with military intelligence at the top, the police Special Branch now doing most of the legwork, and community wardens keeping watch over all individual families in their districts. The civilian population has virtually no recourse in the legal system to defend its individual or collective rights against the will of the military government. It is quite understandable, therefore, that the legal system and those who enforce it enjoy little respect among the Burmese people.

3.6 The State of Civil Society and Non-Governmental Institutions

Strict limits on the ability of civilians to form community organizations have been a hallmark of Burma’s military governments. It is perhaps telling that a law forbidding

21 In a recent report, the International Crisis Group details the problems international assistance agencies and INGOs are having with government interference, in efficiency, and unwillingness to make decisions. “Myanmar: New Threats to Humanitarian Aid,” Asia Briefing No. 58, Yangon/Brussels, 8 December 2006.

22 For an excellent description of SPDC manipulation of the laws to control the population, see Zunetta Liddell, “No Room to Move: Legal Constraints on Civil Society in Burma,” in Strengthening Civil Society in Burma, Burma Center Netherlands and Transnational Institute, Silkworm Books, 1999.
more than five people to hold a public meeting without government authorization has been on the books since the brief democratic years and the preceding colonial period, stemming from concern about seditious elements in the society. The military regime, of course, makes ample use of this law to suppress the emergence of civil society organization, in general, when it is perceived as a threat to military rule. After years of pervasive military surveillance to prevent a recurrence of the popular movement that led the 1988 uprising, people in urban areas, particularly Rangoon, do not trust each other and are disinclined to form associations.

Recently there have been some glimmers of hope that this trend may be starting to reverse itself. With the arrival of UN assistance agencies and international NGOs in Burma during the decade of the ‘90s, local home-grown NGOs began to spring up to help with the implementation of health and educational programs by the international organizations. This seems to have spawned a growing interest in the development of NGOs for community service. The largest and most prominent of these organizations are in reality GONGOs (government-organized NGOs), such as the Myanmar Women’s Maternal and Child Welfare Association, which employ the generals’ wives. However, an increasing number of smaller NGOs, while licensed and monitored by the government, still manage to operate relatively independently of it. They have been greatly strengthened, supported and encouraged by the presence of international aid organizations for which many act as local program implementers.

Two recent studies have found that welfare-oriented non-governmental organizations and community-based self-help organizations are much more numerous and extensive than generally assumed by outside observers.23 The studies conclude that, while religion is the single largest driving-force for these organizations, there are two major social needs making it necessary for civil society to organize for its own survival: first, the government’s utter failure to provide social welfare services and

23 Brian Heidel’s study, The Growth of Civil Society in Myanmar, surveys 64 NGOs and 455 CBOs. In Civil Society under Authoritarian Rule: The Case of Myanmar, Jasmin Lorch explores the development of civil society organizations in four areas: from inside the government to address welfare needs, welfare NGOs independent of government, community self-help organizations, and civil society organizations in cease-fire areas.
second, the need for coping mechanisms in rural areas where the majority of people live at a subsistence level. They find that the majority of community-based self-help organizations engage in activity related to religion or religious schools, but many are organized for health, education, funeral services, and other community needs. Most of the NGOs surveyed were formed to provide health and educational assistance, attempting to make up for the government’s lack of funding in these areas. Some cease-fire areas appear to have been successful in developing independent NGOs to perform welfare and community services, probably because this was a provision of the cease-fire agreements. To an extent, the development of welfare NGOs and community self-help organizations has been tolerated – and in the case of GONGOs, encouraged – by the government to compensate for the lack of government programs and services. Consequently, the military often attempts to associate itself with the work of civil society organizations, even if they are independent or religion-based.

In considering the state of organized civil society in Burma today, one simply cannot avoid the overwhelming presence of the USDA (Union Solidarity and Development Association), which was formed by the SLORC in 1993 as a “civil society” organization to rally civilian support for the regime’s plans to discredit the results of the 1990 elections and suppress the democracy movement. Over the years, USDA has grown in both size and importance. Official Burmese media claim the USDA has a membership of 22 million, nearly half the country’s population, but a significant proportion of this membership is coerced. For example, all members of the Myanmar Red Cross, the fire brigades, professional organizations, and government ministries must belong to USDA. With Senior General Than Shwe as its top patron, USDA provides the military with a civilian structure that reaches all the way down to village levels, operating in tandem with the regional military commands. USDA is often employed by the military leadership to attack the NLD and other opposition forces, pretending that it represents popular sentiment. USDA, for example, carried out the attack on Aung San Suu Kyi’s motorcade in May 2003, for which the SPDC jailed Aung San Suu Kyi and many other NLD members. Although the military leadership continues to portray USDA as a civil society organization, it functions more like a political party today, working hand in hand with the SPDC and regional commanders to rally local people to the government’s causes. Its annual meetings resemble a party convention, with delegations from each of the 16 states and divisions presenting reports on
economic and social conditions and endorsing government policy. Many Burmese anticipate that the USDA will eventually become a political party – perhaps even the sole political party – when and if the military decides to return to a parliamentary system it can control.

Viewing civil society according to its broadest definition as a *nexus of relatively free individuals and groups without reference to the state*,

24 encompassing a great variety of social movements, village and neighbourhood associations, women’s groups, religious groupings, intellectuals, and where they are reasonably free, the press and other media, civic organizations, associations of professionals, entrepreneurs, and employees, whose purposes and direction are not controlled by the institutions of state,

25 one must conclude that it is severely underdeveloped in today’s Burma. And it will not have much chance to grow into a force for change, so long as the military government operates on the assumption that it must control virtually every aspect of its citizens’ lives.

### 3.7 Religious Institutions

Not surprisingly, Burma’s military leadership takes great pains to control religious activity, as it does everything else. Its first priority is making Burma’s Buddhist monk order, the sangha, serve the regime’s political purposes. But this is nothing new in Burma; the sangha have played a critical role in legitimizing government since the days of King Anawrahta in the 11th century, and even during the democratic period of the 1950s. Monks themselves have not shied from taking a political role at various stages in Burma’s history. During the colonial period, prominent monks led early nationalist rebellions and during the 1988 rebellion, monks took an active part in the anti-government movement. As a consequence, the military regime keeps a close watch on the Buddhist clergy, they place spies among them, and they don’t hesitate to jail monks who display views critical of the government. On the other hand, they also pay constant obeisance to the sangha, particularly the senior monks whom they have anointed as the sanctioned leaders of the order. The generals, in the tradition of all the governments

---


before them, make a public display of devotion by attending religious ceremonies regularly, building new pagodas to their own personal glory, and making large donations to monasteries and temples. They see Theravada Buddhism as the essence of Burmese culture.

Christianity expanded in Burma during the colonial period, particularly among the non-Burman ethnic groups and is considered by the military as an example of unwelcome foreign influence on the society. Although Christianity is now fairly widespread in the country, even among Burmans, the regime regularly discriminates against Christians in the military ranks and in government employment. They also encourage the USDA and local authorities, including military, to restrict Christian religious activity.

The regime is probably even more paranoid about the rising influence of Islam in Burma. The proportion of Muslims in the population is increasing steadily and there are often clashes between Buddhist monks and Muslim leaders. Burmese credit the regime with provoking these clashes and that is undoubtedly true in some cases. However, much of the antagonism is probably spontaneous, because there is a strong anti-Muslim sentiment among the majority Buddhist population, which tends to view the Muslim population as alien. Therefore, the fault line between Buddhists and Muslims could easily intensify, regardless of the complexion of government. It is certain, in any case, that anti-Muslim sentiment in the Buddhist population will not be addressed by the government, so long as it is military.

The deep devotion of Burma’s Buddhist population to religion is often thought to be a form of escape from the tedium of life under harsh military rule and there may be some validity in this view. Buddhist meditation provides a respite from daily life and helps its practitioners deal with hardship and adversity. The traditional role of the sangha in service to the community also affords Burmese people a means of giving to the community through their contributions to monasteries and to the sangha themselves. The schools run by monks are a good example: monasteries have traditionally offered educational services to the poor who could not afford government schools or whose families were even too poor to support their children. This practice has continued and expanded as economic and educational conditions have deteriorated in recent years.
The sangha represent a significant alternative education system. Burma’s Christian churches and Muslim communities are similarly involved in community service, although their activities are probably more constrained by government scrutiny than those of the sangha. Indeed, religious organizations of all sorts appear to be the most extensive form of community-based self-help.

4. Considering the Possibilities for Transition

Some form of political transition is inevitable in Burma. The question is when and how. With the signs of Than Shwe’s ill health and aging becoming more publicly visible, not to mention the failing health of all five top generals, it appears that a degree of evolution in the top military leadership will come relatively soon. At least in the first stages, this transition is likely to be relatively orderly, with either Gen. Maung Aye or Gen. Shwe Mann taking the place of Than Shwe, depending on how much longer Than Shwe remains in office. If, for example, Than Shwe dies in office or is forced to retire for reasons of health, then we might see Maung Aye take his place, at least for a short while. If Than Shwe can outlast Maung Aye in office, he is likely to hand the reigns over to his chosen successor, Shwe Mann. In either case, there is not likely to be an immediate difference in the leadership style, and we are unlikely to see political instability in the near term.

Over the longer term, however, the country’s deteriorating living conditions, the possibility of a period of uncertainty in military leadership, and international pressures will probably push the country in the direction of more consequential transition. While it is impossible at this stage to predict exactly how transition might unfold over time, there are five broad categories of possibility, ranging from the most gradual to the most abrupt. This section will explore those categories in order to assess how the various forms of transition might affect the process of assisting the development of stable, sustainable democracy in Burma, which we will address in the following section.

4.1 The SPDC model for gradual transition

As described earlier, the SLORC/SPDC began to develop its own model for slow, deliberate and carefully managed transition from “interim” military government to multi-party parliamentary government shortly after the elections of 1990, when the
overwhelming victory of the NLD foiled the military’s plan to seat a parliament dominated by its own party, the National Unity Party. According to the SLORC timetable, the first step would be to convene a National Convention of political parties and other nationally significant groups, including a large delegation of uniformed military, to draw up guidelines for a new constitution. Once a constitution has been written and ratified, a parliament would be seated, either through new elections or through a negotiated formula that would substantially modify the results of the 1990 elections. In the meantime, “interim” military government would also have to accomplish two other major tasks: first, the restoration of law and order and second, the establishment of peace and development. This was clearly not a plan for rapid, or even near-term political transition. Nearly twenty years later (dating from the September 1988 coup that brought the SLORC to power), the “interim” military regime is still in place and the basic guidelines for a new constitution have not yet been completed.

Although we may never know for sure, it is possible that the deposed General Khin Nyunt actually hoped to begin moving forward seriously with that plan when he drew up the seven-step program for managed transition that he presented to ASEAN in 2003. While the military leadership still claims to be following that plan, it has yet to move beyond the first step and the transition seems unlikely to be completed so long as the current elderly generals are in control. Although many observers predict that Gen. Than Shwe will step aside to become head of a new military-controlled parliamentary government, the number of steps involving public participation (constitutional referendum, parliamentary elections, etc.) required to reach that stage will be daunting for these elderly leaders who have spent their many years in the leadership scrupulously avoiding situations involving mass public action. The longer they cling to the status quo, the more tenuous their grip on power becomes, and the less confident they will be of taking on new political challenges. Of course, the successors to Than Shwe and Maung Aye could decide to bring this process to a conclusion more expeditiously. On the other hand, if there is a lack of clear authority at the top after the departure of Than Shwe and Maung Aye, even the current slow political transition could grind to a halt. Thus the SPDC model for transition is doomed to be so gradual that it could be overtaken by events before it has accomplished any measurable transition.
4.2 Transition triggered by regime infighting or internal coup

Considering the iron grip that Senior General Than Shwe has maintained on the reins of power for the past 15 years and the intense rivalry between the two top generals, the possibility remains that SPDC may not experience a smooth or seamless transition, should their successors fail to establish authority and allegiance with their military peers. There could be a period of serious competition and infighting within the military, perhaps even another internal military coup, during which time the country will continue to drift. The period of drift could, in turn, witness the gradual rise of other centers of power, more civilian in nature, such as the national police, crony business empires, and the USDA. There are already signs that these entities are extending their influence in Rangoon and other parts of the country, especially since the SPDC moved to Naypyitaw. Such a trend might also give rise to greater lawlessness and certainly to even more profound corruption. There is plenty of precedent for this pattern in Burma’s long history.

At the same time, with the military losing its grip on surveillance and population control, there will also be more space for civil society to expand its own organizational base, perhaps to begin taking more control of villages and neighborhoods. As described earlier, some of this is already apparent in neighborhoods and villages, where self-help organizations are relatively widespread. Some Burmese observers believe that, to the extent the police begin to assert their own authority and refuse to carry out harsh orders from the military against the civilian population, restrictions on the civilian population may begin to ease.

With much weaker and less firmly established military leadership at the top, civilian and business activity might develop and begin to give rise to pressure for reform, particularly in the economic area where business interests would certainly welcome banking and monetary reform. Thus, while there might no longer be a nationally articulated plan for transition in place, there could still be a great deal of positive transitional activity underway. Alternatively, a weaker military leadership might have more interest in moving forward with the SLORC/SPDC design for transition, agreeing to work on a new constitution in a more inclusive process than the current National Convention.
4.3 Transition triggered by an unexpected, unforeseen event

In a setting, such as Burma, where society is so comprehensively impoverished and repressed, the country has few devices for coping with significant man-made or natural disasters. Despite the image of power and authority that the SPDC projects, in reality the military and the government ministries are very poorly managed and astoundingly incompetent at accomplishing even simple tasks. Faced with a large disaster, the SPDC would be likely to respond entirely inadequately. If the circumstances were dire enough to elicit a massive international response, it is possible that various factors might coincide (e.g. extent and location of the damage, personality of top military leadership at the time, degree of international pressure to intervene, etc.) to create an opportunity in the aftermath for a period of reconciliation in which the military leadership could be convinced to commit to real transition, including serious economic reform. We have seen something analogous in Aceh, Indonesia, where the massive international response to the effects of the tsunami, in coordination with Indonesian government and military forces, triggered the psychological breakthrough needed for negotiation of an autonomy agreement for Aceh.

4.4 Transition triggered by widespread social unrest/economic distress

The events of 1987 and 1988, when poorly conceived economic decisions suddenly impoverished people holding their savings in local currency, have provided a classic example of how easily urban populations can turn on inept government when they feel there is nothing left to lose. Taking a strong lesson from the events of 1988, the SLORC/SPDC have gone to considerable lengths to eliminate what they perceived to be the origins of this political crisis and its particular manifestations. For example, they appear to have adjusted the flow of traffic in Rangoon to eliminate the bottlenecks that became the locus of show-downs and mass protests in 1988, they have dispersed the university campuses and placed controls on student gatherings to prevent student movements from forming, they have positioned military units within and around Rangoon to react immediately to snuff out any sign of a public gathering or protest, and they have scrupulously avoided demonetizing the local currency or letting the price or supply of
critical commodities negatively impact poor neighborhoods in Rangoon. And notwithstanding all these measures in Rangoon, they have decided to remove themselves for safety’s sake to another, heavily guarded, capital in Naypyitaw.

Although it is now very unlikely that the conditions triggering the 1988 protests would repeat themselves exactly, it is still entirely possible that a different set of conditions could arise that would elicit mass public reaction of some sort, particularly with weakened and indecisive military leadership at the top. As power evolves at the top, forces within the society inevitably shift, bringing about imperceptible changes and creating a new environment in which weakened, untested military leadership could easily miscalculate the consequences of economic or other decisions affecting the society. Public groups might be more emboldened to protest, particularly if widespread looting and banditry were to arise from an economic crisis. This kind of activity would very quickly test the ability of the police and military to control the streets and could render Rangoon and other cities anarchic, at least for a while. If the military leadership were still unwilling to work with civilian leadership to bring things under control and move forward with political transition, the situation would be likely to descend into chaos and anarchy, as has happened in the past. Unfortunately, this would probably have the effect of renewing the military’s conviction to retain its firm grip on the country. It could also cause enough strain within the military leadership to set off another internal coup, as we saw in 1988.

4.5 Violent Overthrow

The democratic opposition in Burma has consistently advocated non-violent means of bringing about political change and there appears to be a very limited popular base in the country to support a serious attack on the government or its leadership. Furthermore, the leadership -- being military -- has gone to considerable lengths to protect itself from such attack. Violent overthrow would require a well equipped and managed organization, which would probably be impossible to mount under current conditions. If violence were to become a real possibility, then it would probably come only after an extended period of confusion and chaos, where it was clear the military and police no longer had the ability to maintain control.
Unfortunately, the least likely, most improbable scenario for transition in Burma is a rapid and direct peaceful transition to democratic government. We are more likely to see either a protracted transition to pluralistic government or a period of disorder brought about by economic conditions, which sets the stage for a return to authoritarian rule. As Collignon has argued quite persuasively, decades of backward military rule have robbed the Burmese population of the economic and political development necessary to make a direct transition to sustainable democracy.

5. Challenging Traditional Notions of Transition and Democratization

To add another dimension of complexity to the question of addressing political transition and capacity building, we must consider what the key determinants of progress toward democracy are likely to be in Burma. Thomas Carothers, a noted observer of democratization, has convincingly challenged the five “core assumptions” of the transitional paradigm that has formed the analytic model for the US policy and democracy advocacy community, particularly in the post-cold war period.  

First, he takes issue with the common notion that political transition away from dictatorial rule should be considered a transition toward democracy. He argues, rather, that recent trends demonstrate that of the nearly 100 countries generally identified as “transitional,” only 20 have remained clearly on the road to democracy. The rest have either stalled in a “political gray zone” or regressed toward dictatorship.

Second, the assumption that democratization is a natural process that unfolds in a set sequence has proven unfounded, because most cases of transition have been “chaotic processes of change that go backwards and sideways as much as forward, and do not do so in any regular manner.”

Collignon, "Why Do Poor Countries Choose Low Human Rights," op cit. throughout. Collignon’s comparison/contrast of the development experiences of Burma and Thailand is especially instructive.

Thomas Carothers, “The End of the Transition Paradigm,” Journal of Democracy, Volume 13, Number 1, January 2002 is the inspiration for this section of the paper.
Third, Carothers disputes the idea that elections are the key determinant of democratization and a prime generator of further democratic reforms. He claims that, in fact, elections cannot compensate for or correct serious structural deficiencies in countries attempting to get beyond dictatorship, particularly where there are wide gulfs between political or power elites and the citizenship. Consequently, the democracy policy community has come to expect too much of elections, per se.

Fourth, the assumption that underlying political, economic, institutional, ethnic, and cultural conditions in transitional countries are not major factors in either the onset or outcome of the transition process, he argues, has proven unfounded. On the contrary, experience with successful transition in Central Europe, the Southern hemisphere, and East Asia has demonstrated clearly that economic wealth, previous exposure to political pluralism, and institutional legacies all contribute significantly to the achievement of democratization. In particular, he challenges the notion that democracy assistance should be focused exclusively or even primarily on political process to the exclusion of economic and socio-cultural development.

Fifth, the assumption that political transitions from dictatorship proceed on the foundation of a functional, viable state and that the road to democracy is merely a matter of redesigning and reforming existing state institutions is misguided, according to Carothers. In fact, he argues, most transitions, both successful and unsuccessful, have immediately confronted the critical problem of weak and ineffectual state structure and revenue bases, which tends to encourage those in power to engage in behavior antithetical to democracy, in order to assure the state’s access to power and resources.

Carother’s arguments are nowhere more cogent than in the case of Burma. Whatever the form that transition eventually takes, it will not be a simple step from dictatorship to democracy. The underlying political, economic, ethnic, and cultural conditions are, as we will discuss in the next section, not adequate to the demands of liberal democracy. The state itself only functions as an adjunct of military discipline and not as an entity with its own culture and powers. The state institutions and civil service founded during the colonial years and transposed into the young democracy have long ago been subverted and twisted into instruments of nearly blind allegiance to the will of
its military leaders. Burma’s history is replete with evidence that political transition leads more likely in the direction of autocratic government than democracy, and elections have been more an instrument of authoritarian political manipulation than a means to implement popular will. All in all, it is clear from Burmese history – both ancient and modern – that political transition is never smooth and does not follow a single trajectory. It has gone forward, backwards, and sideways for centuries and certainly cannot reasonably be expected to proceed naturally forward toward viable liberal democracy from its current state of being. Much work on underlying political, economic, and social institutions will be required, along with enormous time and patience.

6. Burma’s Most Urgent Needs and Potential Areas of Strength

Recognizing that the task of building the foundation for liberal democracy in Burma is mammoth, the question becomes where to begin. This section will attempt to identify the most urgent needs and to set priorities, pointing out how different transition scenarios might affect the ability to address these needs. Issues will be divided roughly into four categories: economic, political, health and education, and security.

6.1 Economic

As Collignon has argued, the most fundamental requirement for building sustainable democratic institutions in Burma is the correction of two critical deficiencies: 1) the badly distorted monetary and fiscal systems and 2) the lack of individual property and human rights (and the corollary individual responsibilities that accompany them). Both of these tasks will take considerable time to achieve and should be approached simultaneously in sequential steps. For example, monetary and fiscal reforms should probably be accomplished gradually with carefully orchestrated restructuring of the banking system and taxes, designed to encourage and support both local and foreign investment and regularize public revenue. Monetary and fiscal reforms should be accompanied by a concerted effort to revamp property rights and establish reliable, consistent economic legal protections.
In 2003, an accomplished Burmese economist described the major characteristics of the “unstable and unsustainable macroeconomic environment” as follows:

(a) Domestic inflation is raging at double digits;

(b) The official exchange rate has no relation to the market or parallel rate at which most exchange transactions are conducted; the exchange rate is subject to violent fluctuations; and the external value of the kyat has nose-dived and probably will continue to sink further…

(c) The official interest rate has no relation to the informal rate at which most business deals are conducted;

(d) Many private commercial banks have not fully recovered from the recent liquidity and financial crisis;

(e) Uncertainty and confusion created by lack of transparency, accountability and consistency with respect to government’s rules and regulations, unavailability of timely and reliable macroeconomic data and essential information, and difficulty in trying to understand and to predict government’s moves and decisions that vitally affect business interests;

(f) Systemic official corruption; and

(g) A large underground or parallel economy which is crucial for the survival of the private sector, and which operates mostly outside the sphere of the government and its rules and regulations.28

In 1999, the World Bank presented a draft report to the Burmese government, recommending a number of fundamental economic reforms, including the abolition of:

- the artificial official exchange rates;
- the inefficient mechanism for rice procurement, distribution, and export;
- restrictions on private sector activity; and
- inefficient state enterprises.

And finally, it urged significant expansion of budgetary expenditures on social services and infrastructure.29

28 Anonymous discussion paper on market liberalization, September 19, 2003, pp 5-6. (Identification of the author could expose him to persecution by the regime.)
Attempting to carry the World Bank recommendations forward, the Japanese government established a bilateral working group, including both government and non-government participants, to examine what would be involved in implementing two or three of the recommendations without causing socio-economic destabilization. Apparently the bilateral study succeeded in developing a detailed plan for implementation that was acceptable to the Burmese participants. The recommendations made their way into a bilateral meeting between the Japanese Prime Minister and Senior General Than Shwe at an "ASEAN plus three" meeting a couple of years later. According to those involved in the project, the recommendations were more or less summarily rejected by General Than Shwe. Despite this setback, it appears that a bilateral Japan-Myanmar consultative group continued to develop a detailed program for economic reform while General Khin Nyunt was still in office.

The reforms recommended by the World Bank in 1999 identify the key areas that are causing the severe distortions in the Burmese economy today. As anticipated in the Japan-Myanmar study group, these reforms would have to be phased in gradually to avoid destabilization or public panic over monetary reform. There is a variety of limited, but valuable, private enterprise activity in banking, manufacturing, tourism, technology marketing, construction, and other areas that probably should be protected from possible adverse effects of sudden implementation of radical reforms. Once structural distortions, artificial restrictions, and the uncertain regulatory environment begin to recede, the business sector can be expected to expand naturally and rapidly. The capital and human potential is already there.

Economic reform in Burma will be enhanced greatly if it is accompanied by a strong, comprehensive educational program to provide Burmese with the economic and business skills to operate in a radically different context than they have experienced thus far in their history. Just as the limited opportunities for free market enterprise have been embraced by Burmese, educational opportunities to acquire business skills would be warmly welcomed by Burmese civilians. Under conditions of relative economic and

29 "Myanmar: An Economic and Social Assessment," unpublished draft report of the World Bank, December 1999. Because the SPDC refused to accept and approve the World Bank draft study, it was never published in final.

This is a working draft. Comments, questions, and permission to cite should be directed to the author.
political stability during transition, a robust business class could be expected to emerge rapidly. One note of caution concerns the danger of cronyism. Some of the wealthiest of the current private sector businessmen have succeeded through crony relationships with senior military leaders, whom they have in turn been enriching. Because this part of the business class and its patrons depend on access to government resources and favors, the military can be expected under any transition scenario to resist yielding control over government monopolies and other mechanisms that facilitate personal corruption. In fact, in any reform scenario the military can be expected to insist on continuing to profit from personal business connections.

The development of a culture of individual rights and responsibilities will involve multiple tasks and must be underpinned by a new constitution, as will be discussed in the next section. Among other things, the constitution must lay the basis for redrawing the legal system to establish clear property rights and the protection of these and other individual rights. While some private property provisions exist now, they are by no means consistent or assured. The military regularly dispossesses people for its own purposes, adding to the general uncertainties and instabilities in the economy. In the critical area of agriculture, which sustains the majority of the country’s inhabitants, property rights must be made more conducive to productivity, encouraging a return to robust agricultural exports. The current system, which ties “tilling rights” to government production quotas and holds the farmers’ compensation well below market rates, is a proven recipe for agricultural failure. It is possible that historical experience will lead the Burmese to define property rights somewhat differently than is done in the United States, for example, but the definition must be clear, consistent, and legally protected.

Rule of law must be reestablished as quickly as possible, not only to stabilize the economy and facilitate economic growth, but also to provide the tools to begin tackling the corruption that has been institutionalized throughout the military economy. The degree to which various levels of government and society currently engage in rent seeking in virtually every arena of Burmese life, if it cannot be brought under control and significantly reduced, will encourage economic chaos and stymie economic reform once transition begins. Fortunately, there are skilled lawyers in Burma who understand where the current problems lie in the legal system and they are well trained in British common law, the basis of the original Burmese legal structure. They would need only a modicum
of assistance and encouragement from outside experts. The greatest need would be resources to restructure the courts and train new lawyers.

Perhaps the only hope of being able to address macro-economic reforms comprehensively and strategically would be if transition scenarios two or three were to occur in such a way that they led to the development of a negotiated reform agenda between government and non-government forces. This would make it possible to address outstanding constitutional questions that affect rule of law and property rights. It might allow, for example, the establishment of national commissions for economic and legal reform that could harness the right combination of expertise and authority. Such commissions would help manage public anxiety and temporary hardships caused by economic change. They could also help guide decisions on foreign assistance and force the international community to coordinate its efforts. One recent study has asserted that …it is essential that a country be able to identify its own set of objectives with respect to development and poverty reduction. Otherwise, only the IFIs, and not the county and its people, determine the agenda. The study concludes that: It is up to the people of Burma to work with and direct the international financial institutions so that when a national development strategy is ultimately adopted, it reflects the real needs and priorities of the people, and not merely the interests and priorities of the financial institutions and donor countries.  

In the other three transition scenarios, internal conditions would probably be either too constrained or too chaotic to allow a comprehensive approach to macroeconomic reform. With continued tight military control over government and policy, the prevailing tendency is likely to be risk aversion, which more or less rules out macroeconomic reform or substantial legal and constitutional progress. If internal conditions are politically unstable or chaotic, some change might be possible, but it is more likely to be of a spontaneous nature, because government would be too weak and ineffectual to develop and guide fundamental reform. For example, there might be pressure from farmers for liberalization of agricultural policy, which could force change, if

---

the military were no longer able to maintain its grip on the current economic and trade policy levers. But it would be difficult to address monetary and fiscal reforms, property rights, rule of law, and constitutional issues without strong central government. And, as the SPDC has discovered, liberalization in discrete sectors of the economy is difficult to sustain without addressing the key underlying macroeconomic distortions.

6.2 Political

Political reform must begin with a new constitution. After years of struggle over unresolved issues in the 1947 constitution, the flaws of the 1974 one-party constitution, and the total absence of a constitution since 1988, the issues to be resolved are quite clear. The steps toward resolution of these issues are not so clear. If one begins with the 1947 constitution, for example, the chief issue would be clarification of the degree of autonomy and self-determination for the ethnic minorities, which might be resolved by specifying the division of responsibility between the central government and state governments. It is unlikely, however, after so many decades of military rule that a constitutional process could get underway without some form of participation by the military. This fact, in itself, will add new layers of difficult issues to resolve in the constitutional process and suggests that it would probably have to be approached in stages, with a succession of governments serving under a succession of transitional constitutions until the final goal was reached. Perhaps it could be achieved in one or two stages; perhaps it would require more.

In any case, the deliberation currently underway in the National Convention to determine the constitutional principles gives us an idea of the constraints and concerns the military would bring to the process. Above all, they will resist strongly the devolution of power and authority from the central government to state and local government, making it very difficult to arrive at a formula for self-determination that would satisfy most of the ethnic minorities. Although we do not know exactly the contents of the cease-fire agreements, they seem to have conferred some degree of self-determination. However, it is neither consistently applied, nor apparently guaranteed. Since the agreements were originally signed, the SPDC appears to have rescinded some of the autonomy the cease-fire groups assumed they had achieved, particularly with regard to control over economic and security matters.
The military will also insist on receiving a constitutional guarantee of power-sharing in an elected parliament by being able to appoint its own representatives to a significant block of the parliament. They may even insist on holding the top leadership position in some form for a substantial period of time. For people accustomed to freely elected government, this appears unreasonable and antithetical to democracy, but to Burmese who have suffered so long under military rule, it might be considered acceptable as an interim measure, if it were the price of achieving ultimate democratic freedoms at the end of a well-defined process of transition and if the military did not exclude the major democratic forces from the process.

Any new constitution, however, whether transitional or final, should not attempt to place constraints on universal human rights, on legal reform and the rule of law, or on economic reform and free market principles. On the contrary, the constitution should guarantee a set of basic rights and should reinforce the principle of rule of law, laying the foundation for a long process of legal, economic, political, and social adjustment and reform.

A second fundamental and concomitant reform must occur in Burma’s general political culture and civil society institutions. This is not to suggest that Burma should model itself on foreign cultures or institutions, but rather that it needs to develop its own form of “civilized” society, which it has been denied by increasingly paranoid military rule that fears the idea of civilian initiative, responsibility, and sense of community. To a certain extent, the development of civil society will accelerate when current restrictions on group activity are eased, but there are certain aspects of “civilized” society that still need to be fostered. For example, even during the democratic period of the 1950s Burmese political actors did not display much national vision, political tolerance, or ability to negotiate differences; and the institutions of civil society that existed at the time did not force them to do so. Thus special attention must be paid to the social and political skills that facilitate cooperation in an ethnically and religiously diverse society, probably at least partially with the assistance of external partners. Even something as simple as outside facilitation in the constitution-making process could, for example, help to encourage a new political culture in Burma.
Fortunately, the fundamentals of elections are not alien to the Burmese. Once the prerequisites for elections are in place and assuming the military does not severely distort the process, the Burmese people will know generally how to form political parties and how to choose their parliamentary representatives. Despite attempts by the military in 1990 to split the political opposition into many small ineffective parties and to manipulate the voting process in favor of the government party, the electorate managed to combine major opposition parties into a single more powerful unit, the National League for Democracy, and to exercise its vote relatively freely. Burmese do not require much coaching to conduct free and fair elections. The main task will be how to keep the military and its agents from interfering.

These political reforms are a long-term proposition and will be considerably more difficult to accomplish under transition scenarios one, four and five, where civilian activity either remains under severe military constraints or is impeded by chaotic conditions and/or extreme corruption. The most favorable situation for the development of civilian institutions that contribute to a democratic political culture would be a gradual negotiated transition to liberal democracy in which various sectors of the society – economic, political, and social – are developed simultaneously.

6.3 Health and Education

As discussed earlier, the health and education sectors have been so distorted and financially deprived by military rule in Burma that they both require urgent attention. In other countries, it might be possible to address such tasks even before it was possible to undertake political and economic transition. In Burma, however, the military leadership imposes such onerous constraints on humanitarian assistance that it can only be delivered sparingly to the needy and it can have only a very limited effect on institution-building. Furthermore, because of the current monetary and banking structure in Burma, any significant increase in foreign assistance, even if it is confined to humanitarian goals, will also have the perverse effect of offsetting the SPDC’s perennial domestic borrowing and deficit spending, as did the surge in ODA and foreign loans in 1977-87 during the Ne Win period.31 Furthermore, the restrictions placed on the

31 In “Human Rights and the Economy in Burma,” op. cit., Stefan Collignon demonstrates how the 1977-87 “aid bubble” created the appearance of economic growth in Burma, but did not contribute to economic development, because local wealth owners never trusted the distorted economic environment enough to
operations of international agencies and NGOs by the SPDC since 2005 are an apparent attempt to force international agencies not only to channel funds to the government, but also to incorporate USDA representatives in their assistance programs. USDA participation in international assistance programs can be expected to limit how and to whom aid can be delivered, as well as to maximize credit to the SPDC.

A recent report by the International Crisis Group, surveying the assistance picture through the eyes of international agency staff on the ground in Burma, details the problems that have developed in aid delivery since the purge of Khin Nyunt. These include: 1) difficulty getting decisions from government because of less access to decision-makers and a reclusive, unresponsive attitude on the part of the top leaders, which has been compounded by the move to Naypyidaw; 2) more intense and intrusive police surveillance of aid activities, with restrictions on travel by foreign staff, interrogation of local staff, and demands to sit in on internal meetings; 3) growing pressures from USDA and GONGOs who are trying to position themselves as welfare providers, undoubtedly in anticipation of a constitutional referendum; 4) serious restrictions on programs, including tougher control measures and the forced closure of entire programs in some cases; 5) the imposition of new government guidelines that subject all aid programs to “coordination” by local committees at the central, state, and township levels, which include members of GONGOs. The report concludes that, all in all, these new conditions “raise concern about [the aid community’s] ability to continue to deliver assistance effectively and responsibly.”

Once it is possible to assure reliable delivery of higher levels of health and medical assistance without the threat of diversion by the military and its agents, it will be a relatively straightforward matter to rebuild and improve the public health structures. There are still some talented and dedicated people left in this system and more can be monetize their wealth through domestic financial institutions.

marshaled quickly from the local staff of UN agencies and NGOs. Assistance with medical supplies, training, and management will be the most critical inputs required from external sources, at least in the first instance.

With regard to education, massive reform and restructuring will be required at all levels. The chief problems in primary and secondary education are twofold: 1) a curriculum that depends very strictly on rote learning; and 2) poorly trained and underpaid teachers who are spending more and more time outside the classroom with private tutoring. These problems are easy to identify, but will be very difficult to correct until better teachers can be trained and resources are available to pay them adequately.

Tertiary education is even more a shambles after years of mindless manipulation by military regimes attempting to minimize what they view as a breeding ground for anti-government thought and activity. It will need comprehensive reform and restructuring in which international assistance in the form of resources, training and advice on restructuring and curriculum reform would be essential. Although there are still well educated and talented academics to be found in Burma, they are sorely lacking in the resources or authority to resist the government’s efforts to downgrade the quality of tertiary education. The tertiary educational system needs to be built back into a vibrant center of intellectual debate and development.

Because the Burmese place a premium on education and once had an excellent public education system in the major cities and most well populated areas, they can be expected to place a priority on restoring education when it becomes possible. Monetary and fiscal reforms that provide assured government revenue and stimulate economic growth and development will be critical to building adequate public health and educational systems. Religious institutions of all kinds, Buddhist, Christian, and Muslim, can be expected to help with education and other forms of community service, and are doing so even now.

Under transition scenario one, which is essentially a continuation of current conditions, or scenarios four and five, in which disruption and chaos would be likely to bring a return to authoritarian military control, it would be extremely difficult to reform and rebuild the health and educational systems. Because reform will require that resources
and new thinking are allowed to flow freely and reliably into health and education structures from the center, transition scenarios two and three, which envision some possibility of negotiated political and economic transition, appear to offer the most potential for improving health and education. Furthermore, programs to reform both areas, reinforced by substantial international assistance, would help a transitional government gain popular support during a period of inevitable sacrifice and uncertainty engendered by change.

6.4 Security

Political development and democracy in Burma have been stymied by a tendency for the country to dissolve into chaos and confusion when it is not held together by a firm hand. Each time this has happened during the period since independence, the military has interpreted the confusion as a rationale for grabbing more power, gradually managing to transform its firm hand into an iron fist. Ne Win was the first to take control in the midst of chaos, having developed a centralized military procurement and manufacturing base during the democratic years. After 1962, he consolidated the syndrome of centralized and systematic military control, although he maintained at least the pretense of parliamentary government, albeit under single party rule. The SLORC took power in the wake of the confusion caused by the massive civil protest of 1988 and Ne Win’s abrupt departure from government. Starting from the premise of Ne Win’s parting order that the country should return to multi-party democracy, the SLORC nonetheless continued to believe that the country would fall apart without the military in the driver’s seat, it resisted transition and gradually became an authoritarian instrument to wield even greater control over the country than Ne Win had.

Thus, the single greatest challenge for successful political transition in Burma will be the problem of breaking this syndrome by ensuring a modicum of law and order that still allows peaceful and stable political development. This is a very difficult proposition, because it will require not only the prevention of social and economic chaos in urban areas, but also the avoidance of relapse into ethnic minority insurgencies in outlying areas, if certain groups attempt to take advantage of a transitional period to grab de facto autonomy in the absence of constitutional guarantees. The particular form that security guarantees might take to accomplish these goals is difficult to predict without
knowing what form transition will take. However, it is clear that abolition of military and police forces would most certainly lead to chaos and anarchy, and would open the door to a variety of militia and organized banditry. In any scenario it should be a fundamental objective of transition in Burma to retain as much organized, responsible government military and police force as necessary to assure law and order. Ideally these forces should not interfere in the process of political transition. Realistically, however, some degree of military interference is probably unavoidable considering the history and mentality of the tatmadaw today.

Therefore, when and if real transition becomes possible, it will be essential for the international community to act as immediately as possible to begin retraining and reorienting military and police leadership to understand and respect the rules of democracy. While it would be best to begin this process well before serious transition is underway, the restrictions most donor countries have placed on military assistance to Burma and the reluctance of the current regime to accept such training probably make this unlikely. Perhaps some Asian donors would have more flexibility eventually to undertake such training. (Indeed, some are probably already engaged in training Burmese forces, although not with a view to reorienting military attitudes.) In any case, once transition is possible, this should be addressed urgently. If their curricula were reformed, Burmese military training institutions could provide an excellent venue for introducing such training into home-grown programs.

7. Sources of International Assistance

In the post-cold war period, the international community has been called upon constantly and increasingly to assist countries in transition from some degree of authoritarian government to elected pluralistic rule. Government aid programs, international agencies, and international NGOs have developed a variety of programs designed to build the elements of democracy and to reform faltering economies.\[33\] There is a large body of cumulative knowledge in this field, although different governments and

---

33. *Opportunities and Pitfalls*, op cit, provides an excellent overview of the various types of agencies, organizations, and government programs engaged in international aid.
institutions may have different views on how to approach development assistance. However, there is always some degree of coordination, for better or worse. Cambodia, East Timor, Indonesia, various parts of the former Yugoslavia, would probably all provide examples of complex international assistance programs, both coordinated and uncoordinated.

In April 2005, the OECD led a consultative process among aid donors that resulted in an agreement on “Principles for Good International Engagement in Fragile States,” drawing especially on the experience of the past decade. Designed to guide international donors in prioritizing and coordinating programs to help national reformers in fragile states build “legitimate, effective and resilient state institutions,” the 12 principles stress the importance of local context, moving rapidly from reaction to prevention, state-building as the central objective, avoiding activities that undermine state-building, recognizing the political-security-development nexus, coherence between various programs of donor government agencies, practical coordination mechanisms between international donors, and mixing and sequencing aid instruments. Because these principles provide an excellent framework for conceptualizing wide-ranging international assistance to Burma one day, they are attached here as an appendix.

When the time comes for serious transition, it would be best, of course, to address Burma’s political and economic deficiencies strategically – and not piecemeal – in order to minimize hardship and avert chaos. Ideally, those concerned with this task should coordinate on a strategy that sets priorities, that sequences reforms, that rationalizes the strengths of various international donor organizations, and that builds effectively on Burma’s existing advantages. Unfortunately, events and the human condition, rarely, if ever, allow this. More often than not, there are overlaps, inefficiencies, inappropriate focus, and competing objectives in any given situation. Recognizing this reality, the best we can do is reinforce the OECD recommendation to establish practical mechanisms for coordination. The following suggests a range of governments and institutions that might be appropriate for the priority tasks that will need to be addressed to achieve a successful political transition to stable democratic government in Burma.
7.1 International Financial Institutions

The World Bank, IMF (International Monetary Fund), and ADB (Asian Development Bank) will be key to economic reform in Burma. All three have been analyzing the Burmese economy for many years and are well aware of the macroeconomic distortions that must be tackled. All three are currently prevented from engaging in programs in Burma, because the major donor governments will not allow it. Moreover, the SPDC has consistently refused to undertake any reform measures suggested by IFIs, so even if the donors agreed to ease their restrictions, the banks would not be able to engage seriously with the SPDC on reform under current conditions. At this point, any serious economic assistance that is not focused on reform will be largely wasted investment.

When macroeconomic reforms become possible in Burma, the correction of monetary policy must begin with the Central Bank of Myanmar and the two military-controlled banks that manage currency transactions for the SPDC. A unified exchange rate must be established, interest rates for lending and savings must be pegged to real market conditions, and policies based on accepted international monetary practices must be introduced.

As for fiscal policy, the state’s demand on national resources, which is currently massive and uncontrolled, must be brought into synchronization with the state’s ability to realize revenue. In the words of economist Sean Turnell, *Macroeconomic policy-making in Burma is coloured by one overwhelming fact – the irresistible demand of the state upon the country’s real output. This demand far exceeds the state’s ability to raise taxation revenue, and accordingly has led to a situation in which the state ‘finances’ its spending by the simple expedient of selling its bonds to the central bank. This policy (in economics parlance ‘printing money’) distorts every other aspect of policy-making in Burma.*

---

It will probably take the huge resources of the IFIs to manage these tasks, backed up by a substantial cash reserve to offset any negative social impact of the reforms. This means that the IFIs should be at the center of international assistance to Burma during a transition, particularly inasmuch as they also play a coordinating role among the major donors who must approve the banks’ involvement and major programs. The task of correcting major macroeconomic distortions must be underway before other contributions to economic development, either in the form of ODA (official development assistance) or FDI (foreign direct investment), can be effective.

Despite the heavy hand of uninformed military economic management, civilian economic talent can still be found in Burma, both inside and outside the government. There are some skilled economists with integrity in government departments and institutions, including the Ministry of National Planning and Economic Development, the Central Bank, etc. Rangoon University has a graduate institute of economics with a cadre of past and present faculty schooled in the fundamentals. There are some talented economists in private banking and business. It would make sense for Burma to establish a national advisory council of skilled Burmese economists to play a central role in designing programs for macroeconomic reform in order to exercise control over IFI activity. The Burmese economic experts will understand better than any outsider the potential advantages and risks of any given reforms and they will add a sense of ownership to foreign assistance.

7.2 UN Agencies

A representative group of UN agencies currently operates in Burma under MOUs with specific government ministries. The most important of these are: UNDP, UNICEF, WHO, FAO, UNHCR, UNODC, and UNAIDS. Their current programs focus on basic humanitarian needs, health, education, agriculture, environmental preservation, poverty reduction, income generation, microfinance, refugee resettlement, and drug control. On the whole, their programs are constrained by severe government restrictions, inadequate donor funding, and limited access to the Burmese population and thus have little impact on overall needs. Indeed, taking into account the severe macroeconomic distortions and current SPDC restrictions on the operations of humanitarian aid agencies, it is correct that donors should restrict funding to international assistance programs in Burma.
The UN agencies do, however, play a very important role in marshaling and educating human resources for the future. There are many local employees in all of these organizations who either cannot or will not work for the government because of their political convictions. Many of them are dedicated to the cause of improving the lives of the poor, including ethnic minorities in remote areas of the country, when they can reach them. These people will be an invaluable resource during transition and will be critical to the reform and restructuring of government ministries when this becomes possible. They are well versed in how the ministries now operate, because many came out of government service and/or now work closely with counterparts in the ministries to implement foreign assistance programs. They tend to know where and who the competent civil servants are.

Furthermore, it is extremely useful to have the UN agencies in place in Burma and familiar with conditions on the ground. When transition begins in earnest, they will be well placed to establish priorities, expand their operations and advise the individual donor government programs that will inevitably follow.

7.3 International NGOs

A handful of international NGOs is currently on the ground in Burma, including several European groups, a few American groups, several Japanese groups and one or two Australian groups. They work both on their own and in coordination with the UN agency programs. Some of them focus particularly on assistance to ethnic minority areas. Like the UN agencies, these NGOs nurture and develop local talent. The bulk of their staff is Burmese and, like the UN agencies, they work with local Burmese NGOs. It is very difficult for foreign NGOs to negotiate and conclude an MOU with the Burmese government to work in the country; the process can take three or more years. Thus there is not likely to be a large increase in INGO activity in Burma so long as the current SPDC leadership is in place.

35 David Tegenfeldt, former Burma country representative for World Concern, provides an instructive summary of INGO presence and activity in Burma, as well as a sense of the particular role they can play with minority ethnic groups, in his chapter entitled “International Non-governmental Organizations in Burma,” in Robert Taylor, ed., Burma: Political Economy under Military Rule, op. cit.
Transition, on the other hand, will bring a plethora of new NGOs to Burma and they will compete with each other and with UN agencies for funding from donor governments to implement programs. In fact, these NGOs can play a unique role in reaching the more remote areas of the country and should be encouraged in this direction so that international assistance is not concentrated solely in the Burman areas, but also reaches the ethnic minorities.

UN and INGO activity in Burma over the past decade has helped the development of small local NGOs, who often serve as implementers for their programs. The rise of these NGOs has, in turn, encouraged a second layer of local NGOs and community help organizations of various types that are not necessarily connected with or financially dependent on international aid. Even before transition is underway, the international community should consider ways to support and encourage the expansion of this trend. This could be an important element in instilling a greater sense of cooperation, tolerance, and community in the Burmese civilian population. It can also help develop benevolent community activists as an alternative to the predatory USDA and other GONGOs.

Many international assistance programs in South Africa during the final years of apartheid, including that of the US, emphasized the development of local civic and nongovernmental groups in the black townships in order to foster future leaders for a democratic South Africa. Many of those who came to the fore, either as politicians or senior civil servants, in the transitional South African government after 1994 got their start in local NGOs and civic groups nurtured by foreign donors.

**7.4 Donor Governments**

Very few donor governments are active at present in Burma. Chief among these are the EU and a few individual European governments, such as the UK and France. Japan is probably the single largest donor for grant aid, with particular emphasis on infrastructure, such as schools, clinics, and bridges. China, of course, finances large infrastructure projects through loans, but does not provide much, if any, grant assistance. (Perhaps some of China’s loans could be considered a form of grant assistance, since the SPDC rarely repays such debt.)
When transition comes, each donor government will undoubtedly wish to pursue ODA in Burma according to the proclivities of its own aid agency and national interests. Some, such as Japan, will prefer infrastructure projects, while the US and European governments will favor democratization, health, education, and other programs with political and social value. Many donor governments may also favor investment in ASEAN programs that could help with Burma's development and integration into the regional economy. Although there is some assistance of this kind now, it is limited by donor government hesitation to support programs that might benefit the SPDC.

Donor governments will also be well positioned to help Burmese military train and restructure to adjust to a security role more appropriate for democratic government. This will be one of the most critical types of foreign assistance and should not be the domain of a single donor government, but can be undertaken by many, including Asian neighbors.

7.5 Exile Resources

After so many years of harsh conditions in Burma, the Burmese diaspora has become rather extensive. Some left during the Ne Win years; many more left after 1988 because of political persecution. The former group of Burmese expatriates tends to be engaged in professional pursuits in Western countries. The latter group includes a large number of political activists, who have remained focused on overthrowing the military regime and bringing about transition to democracy in Burma. With the assistance and encouragement of US and European foundations and governments, some of these activists have also formed specialized groups that study various aspects of Burma’s institutional structures, articulating and planning the necessary reforms. For example, some look at economic reforms, some at legal reforms, and others at free press and political debate.

When the opportunity for serious transition presents itself, these groups will be extremely helpful, not only as sources of ideas and advice for Burmese, but also as bridges between foreign donors and local Burmese institutions and society. Among them, they have amassed considerable experience with democracy in practice and a
large body of information on the institutions of democracy worldwide.\textsuperscript{36} It will be important for the international community to assist in engaging them systematically and productively in transition activities.

Among the Burmese expatriates who came out earlier and settled into professions abroad, there will also be many who wish to assist in the country’s transition to democracy. Some are already engaged to a limited extent in some business endeavors in Burma and are able to come and go regularly. This may be another resource for foreign assistance to transition when the time comes.

8. Adjusting International Assistance and Policy to Different Scenarios

The major objective of foreign assistance policies for Burma must be to build the foundations of sustainable democracy through both political and economic reforms that help the Burmese build effective state institutions. To this end, the basic set of political and economic reforms required in Burma and the international assistance necessary to support them, as described earlier, will be the same no matter what form transition may take. However, decisions about when and how to provide this assistance, as discussed earlier, will be critically affected by the pace and nature of the transition. The opportunities for both reform and assistance will be very different under the conditions of a slow, hesitant transition than they would be in a rapid transition scenario, such as we saw with the collapse of the Soviet Union.

Transition scenario one, in which the military remains firmly entrenched, will offer few opportunities for serious international assistance so long as there is no willingness to undertake macroeconomic reform or to allow the population to begin participating actively in political activity. The level of international assistance currently underway in Burma may be the best that can be achieved. Moreover, if the degree of restriction and interference in aid programs intensifies further, it may become difficult even to maintain

\textsuperscript{36} The Open Society's Burma Project has inspired and funded the creation of a website in English, Burmese, and several ethnic languages, guiding the reader to sources of information relevant to transition in Burma, compiled by Burmese expatriates and others. Its URL is www.burmaguide.net.
current aid levels. On the other hand, there might be some possibility of working increasingly with local NGOs and civil society organizations through indirect means, but this would have to be done carefully to avoid negative countermeasures by the military or USDA. Nevertheless, it might be useful, even under this scenario, to explore the full range of political and economic reforms required in Burma and determine whether there might be some opportunities for introducing educational programs or supporting local education initiatives that might help strengthen civilian institutions.

On the other hand, the development of scenario two, which might come with the transition to new military leadership, should alert the international community not only to seek new opportunities to encourage and support political reform, but also to begin thinking seriously about how to encourage economic reform through dialogue with new military, civilian, political, and business leaders. In the case of government officials, such dialogue might be initiated by ASEAN, India, or China in the context of their cooperative relationships with the Burmese. In the case of political and business leaders, representatives from Western countries and Japan could take the lead. Donors should also try to expand assistance to health and educational institutions, attempting to press civilian ministries to allow more access for international assistance programs, including in outlying ethnic minority areas. The devastated areas along the Thai border should get urgent attention. Special programs should be devised to support the development of civil society institutions, including community structures and business organizations.

In scenario three the international community would undoubtedly attempt to respond in the first instance with an outpouring of disaster relief. The SPDC, for its part, would undoubtedly try to limit and control this relief, giving Asian neighbors and friends priority access. A large international relief effort, even if predominantly Asian, would quickly strain Burma's infrastructure and government resources, creating openings for non-governmental activity in support of relief efforts. Under such circumstances, international donors should try to support non-governmental groups and harness them to their aid delivery efforts at the local level. Donors should also seek opportunities in the aftermath of disaster relief to encourage reform and change with senior government officials. A major disaster could also have the effect of destabilizing the military leadership, creating the conditions for scenarios two or four to develop.
The emergence of scenario four should cause particular concern among Burma’s neighbors, especially Thailand, China, and India, who would be likely to experience spill-over from widespread unrest in Burma. These governments should therefore be prepared to act as quickly as possible, preferably in coordination, to encourage major economic and political reform to begin immediately. If the IFIs were able to assist with economic restructuring, with the clear support of Burma’s neighbors, it could give people hope that major change was coming. It might also encourage serious work on political reform, beginning with constitutional negotiations that included all major players. The international community should not, however, anticipate a smooth transition under such conditions. The pace at which political change could be achieved would depend on the presence of leadership, the will to compromise, and strong outside support for a negotiated outcome. At the same time, outside forces should refrain from attempting to affect the course of the negotiations, unless they are specifically invited to become involved. The complex constitutional negotiation that took place in South Africa in 1993-94, which has already been well documented, provides an excellent example of how to strike a balance between the dynamic of intense multi-party negotiations and the activities of well-meaning outside observers. In any case, the initiation of economic and political reform would be only the first step on a very long journey to stable democracy.

Scenario five would not be a situation amenable to international economic, humanitarian, or political assistance. The most important international actors would be Burma’s neighbors, because of their proximity to the conflict. And the most immediate objective would be, through mediation, to stem the violence and prevent a harsh military backlash. Although Western governments, Japan, and the United Nations were able to play a moderating and mediating role quite effectively in Cambodia when the Vietnamese withdrew, regional dynamics are quite different today. It is not clear that Western or UN intervention would carry the weight in Burma that it did in Cambodia. On the other hand, Western intervention might be welcome if there were concern among Burmese about the intentions of their immediate neighbors (as there has been historically during periods of instability and uncertainty). It might also be advisable to consider offering a large international assistance package, as has been done in Cambodia, East Timor, and other countries experiencing instability in the midst of rapid political transition.
9. Conclusions and Policy Implications

All in all, it is difficult not to conclude that the chances for peaceful transition to stable, sustainable democracy in Burma are very slim in the near future, largely because the conditions required for sustainability are absent and there is no opening at present to foster these conditions. First, the intractability of the economic situation and the regime’s refusal to entertain reforms that would begin to deal with the severe macroeconomic distortions act as a serious inhibition to political development in the broadest sense of the term. Second, existing government institutions are incapable of functioning effectively to maintain central administration of the country without authoritarian control. And finally, the impoverished educational system with its severe limits on political and social science, as well as onerous restrictions on civil society and public organizations, make it very difficult for the population to develop the civic institutions necessary to support democratic government.

Since 1945, most Asian countries -- notable exceptions being Burma, North Korea, and perhaps Laos -- have experienced significant, sometimes dramatic, economic and political advancement under a great variety of seemingly adverse conditions, such as foreign occupation, communism, insurgency, and partition. In all these countries the governments, even under communist and/or autocratic rule, have placed a premium on economic development, education, and building civilian communities to advance their societies. Why does the military regime in Burma not ascribe to the same values as its Asian friends and neighbors? We may never be able to answer this question fully, but the fierce desire of successive Burmese governments to prevent and expunge perceived foreign influence on Burmese society and culture has undoubtedly played a large part, along with the obsession of military regimes with maintaining comprehensive control over the population and severe restrictions on civilian activity in the name of security and internal stability. As the world around them moves forward in step with the global community, it will inevitably become impossible for future Burmese leadership to continue insulating their society from the rapid pace of economic and political modernization in Asia and starving their population for information. Technological development is already overtaking them.
The most advantageous outcome for Burma would be for its future leaders to have the foresight and understanding to initiate a wide-ranging, rational, and phased transition back to pluralistic democracy – a process in which the kind of political and economic reform and social transformation necessary for stability could be undertaken with adequate international support and assistance. Unfortunately, this appears to be the least likely scenario from the present vantage point. All signs seem to point instead to the probability of a hesitant, confused, and troubled period of transition in which it is difficult to take comprehensive measures to lay the basis for economic and political development.

The foregoing sections of this paper have outlined in general the range of major reforms and change that will be required to stimulate economic development, to reconstitute and build civil society and civilian institutions, and to lay the foundations of stable, competent governance. The tasks are massive and will take more than a generation, but they cannot be tackled in earnest until the country’s leadership recognizes realistically the need for transition to civilian government. Thus it is important for the international community, particularly Burma’s Asian neighbors, to understand the depth of Burma’s economic, social, and political dislocations and the measures that will be necessary to correct them. If a relatively consistent and coordinated message about the need for basic reform in political, economic and educational structures could be delivered to the country’s leadership over time, it would be much more difficult for the leadership to dismiss or ignore it, and some degree of enlightenment might eventually emerge. Just as sanctions regimes can work against our ability to help, it is also irresponsible of Burma’s friends and neighbors to conduct their relations with Burma totally in pursuit of their own interests and without regard for the Burma’s political future. We all share this responsibility.

9.1 China and India

China and, to a lesser degree, India have become the greatest facilitators for the SPDC, providing financial resources and military assistance in return for access to Burma’s natural resources. They are now engaged in avid competition for Burma’s large off-shore natural gas reserves in the Bay of Bengal, promising billions of dollars of revenue to the government in years to come. While it is quite natural that the world’s two most populous and rapidly developing countries, who straddle a small neighbor...
relatively rich in natural resources, should see their relations with Burma in strategic terms, it is not wise for them to disregard the country’s future welfare and stability. The kind of economic investment, loans, and assistance they are providing Burma today do not contribute much to the country’s economic development. So long as the SPDC’s monetary and fiscal structures do not provide the business sector with a stable, predictable return on investment and the government with a regular stream of public revenue, Chinese and Indian investments are most likely to be diverted to the generals and their families or to be used to finance hard-currency imports at the expense of domestic economic development.

Both India and China should be giving the SPDC a strong message about the importance of restructuring the economy to expand the business sector and they should be managing their own economic relations with Burma to reinforce this message. Even with much less leverage over the SPDC, Japan – through patience and persistence – was able to make considerable progress with the Burmese government in outlining a program for phased macro-economic reform. Although the senior leadership appears to have taken no interest in this program since the purge of Khin Nyunt, the institutional memory is still there and there are those at levels just below the top generals who understand the benefits of reform, although they may not know exactly where to begin. India and China should be participating actively in this effort.

They should also be sending a clear message on the need for political transition. It is particularly unseemly for India, the world’s largest democracy, to be reticent about promoting democracy in Burma. It is perhaps an encouraging sign that China’s Ambassador to the UN, even though he vetoed the proposed UNSC resolution urging democratic transition in Burma, regretted that he had to do so, because “it was clear Myanmar was not moving quickly enough to promote stability. He urged the military regime to move toward ‘inclusive democracy’ and ‘speed up the process of dialogue and reform.’”37 He also suggested that the SPDC should consider “constructive recommendations” from ASEAN and “listen to the call of its own people.”38 China’s


public stance is undoubtedly indicative of messages that are being sent through diplomatic and other channels.

9.2 ASEAN

Since accepting Burma into its midst against the advice of the United States and Europe, ASEAN has suffered a heavy political cost in its relations with these two large partners. Having anticipated that membership in ASEAN would give Burma the confidence and support to develop economically and politically, ASEAN governments have been dismayed by the sheer intransigence of the SPDC. In recent years, the rise of parliamentary consultative groups within ASEAN has translated into strong pressure on ASEAN governments by elected officials to speak out against the SPDC’s harsh repression of Burma’s democratic forces and its refusal to move forward seriously with its own plan for political transition. ASEAN’s political frustrations are further compounded by the SPDC’s role in fostering a hostile investment climate that has produced substantial losses for Southeast Asian investors.

Although some ASEAN voices have raised the question of expelling Burma from the organization, this is probably not a practical course, because it would eliminate an important channel of communication and coordination with the seriously xenophobic Burmese leadership. ASEAN has a multitude of economic structures and regional programs, which provide a variety of measures ASEAN might take to encourage economic reform and transition in Burma. Perhaps it would be useful for ASEAN and its partners, particularly the US, EU, Japan, and China, to explore the possibility of developing a strategy for integrating Burma more firmly into ASEAN economic structures.

It is also vitally important for ASEAN to remain a source of political pressure on Burma. The SPDC and its successors will continue to value membership in ASEAN as a collective means of dealing with China and other large countries, and therefore will have to pay some heed to ASEAN’s concerns about how Burma’s actions affect the welfare of the collective organization. Fortunately, we can expect the ASEAN parliamentary consultative group to demand that the organization hold the SPDC accountable for its failure to live up to its commitments.
9.3 The United Nations

As a long-standing member and the fatherland of former UN Secretary General U Thant, Burma places the United Nations at the center of its diplomacy. During the years that General Khin Nyunt managed Burma’s diplomatic relations, UN activity in Burma expanded substantially. UN agencies were allowed to set up missions in the country and establish programs for various forms of welfare and humanitarian assistance, after having been expelled and excluded by Ne Win. From time to time, the Secretary General’s representative was received to facilitate communication between the SPDC and political opposition groups. The UN Human Rights Rapporteur was allowed, off and on, to visit the country and report extensively on humanitarian conditions. Annual meetings of the UN General Assembly have traditionally served as a forum to chronicle and inveigh against the SPDC’s record of repression and failure to move forward with political transition. Calculating that the SPDC was particularly sensitive about its image in the UN, Burmese exile groups and their supporters have placed great hope in the UN as a means of forcing change, particularly when the Security Council agreed in 2006 to put Burma on its agenda. With the veto of a UNSC resolution on Burma by China and Russia and the SPDC’s reduced responsiveness to the UN since Khin Nyunt’s purge, the UN’s role as an engine for change in Burma appears substantially less promising.

As a practical matter, the UN cannot become a central force in bringing about change in Burma, unless the Burmese government seeks and accepts its assistance. Short of this, it can only be a forum for debate, as it has been in the past, and a vehicle for the international community to exert rhetorical pressure on the generals. If and when genuine transition begins in Burma, the UN may become a more important source of advice and support, not only through its assistance agencies, but also through the ability of the Secretary General to facilitate mediation of internal disputes. Because of historical Burmese respect for UN neutrality, the UN might ultimately be the most acceptable external interlocutor for all sides in an internal dispute, if mediation is sought.

9.4 The United States

Under the current circumstances, U.S. policy is focused appropriately on pressuring the SPDC to return Burma to civilian democratic government. The fact that Burma is considered to be of little to no strategic interest to the United States, especially
when compared to the many more urgent concerns the U.S. faces abroad, has allowed the development of multiple layers of U.S. sanctions inhibiting relations with Burma as a means of pressure on the SPDC. There are, for example, laws prohibiting U.S. investment in Burma and Burmese exports to the U.S. There is an executive order denying Burma the use of U.S. financial services, making it impossible for the dollar to be traded legally in Burma. (The dollar is still the basis for a large portion of black market activity.) Senior Burmese military and government officials and their family members are not allowed to visit the United States. The U.S. Congress will not approve the posting of an Ambassador to Burma, but maintains diplomatic relations in all other respects, with the Chief of Mission carrying the title Charge d’Affaires. The Congress allows very little of the annual foreign assistance earmark for Burma to be used inside the country and then only through international NGOs. Aside from EU prohibitions on visits by senior Burmese military and government officials, the U.S. sanctions against Burma are not reinforced at the international level, with one major exception: As governors of the major international banks, the U.S. and its partners have managed to prohibit the World Bank, IMF, and Asian Development Bank from undertaking any significant programs in Burma. Since various U.S. attempts to seek broader international sanctions through the UN, the EU, and ASEAN have not succeeded over the years, it now appears that most U.S. sanctions against Burma are destined to remain largely bilateral.

With the possibility of some degree of generational evolution in Burma’s military leadership growing increasingly likely, this might be an opportune moment for U.S. policymakers to undertake a fundamental review of the assumptions underlying the policy that has been in place for nearly two decades and reevaluate it in the context of today’s international environment and evolving U.S. interests. Among other things, such a review should encompass a number of fundamental issues. First is the question of U.S. strategic interests in the Southeast Asia region, particularly in light of the rapid economic development in China and India that will inevitably affect power balances in the region, as well as the way those two countries deal with regional partners. Does the United States perhaps have a greater strategic interest in Burma than has commonly been assumed? Second is the notion that total isolation is the most appropriate response to repressive and seemingly defiant autocratic regimes. Has this produced positive results in Burma? Finally, policymakers should take a hard look at how we have
been interacting with regional and international partners in seeking to maximize pressure on Burma’s military regime. While such a review might conclude that current U.S. policy toward Burma remains well founded and most appropriate to the current situation, it would at least have the beneficial effect of drawing attention to the gradual subterranean changes that are always underway in any situation, no matter how glacial it appears on the surface. It would also focus attention on what modifications and adjustments in U.S. policy would be effective and appropriate in response to changes in Burma, and it might shed light on new international strategies for bringing pressure to bear more effectively on the SPDC.

It is inconceivable that the United States would not want to play a central and constructive role in supporting transition in Burma, once it begins. Yet some of the constraints built into current U.S. policy will make it difficult for the U.S. to contribute quickly and constructively to potentially positive developments in Burma, let alone to facilitate gradual changes in Burma that would encourage transition and build the foundations for stable democracy. For example, strict prohibitions on private business activity and on economic assistance, both bilaterally and through IFIs, may serve to assure that the U.S. is not contributing to the financial gain of the SPDC. However, they also have the effect of prohibiting some kinds of economic activity that could encourage economic reform and the development of Burma’s free market sector, if carefully targeted. The United States should therefore consider positioning itself better to play a leading role in facilitating the development of democratic institutions during a process of staged transition, which is the course that Burma is most likely to take before returning to full democracy.

Finally, the U.S. sanctions regime and its confrontational style with Burma’s military leadership, no matter how well justified, have relegated the United States to a backseat position in the effort to persuade the SPDC to proceed with transition. It is simply a fact of life that Burma’s Asian neighbors will remain its key interlocutors and points of contact until the appropriate time comes for the United States to ease its sanctions and adjust its demeanor. Therefore, the U.S. should consider whether it might be more productive to work in partnership with Burma’s neighbors to ease the generals into reform and transition, rather than simply exhorting their governments to copy U.S. policy. This would only require a change in style and not in the fundamentals of U.S.
policy toward Burma, and might help to uncover new possibilities for encouraging the process of change inside Burma.

For example, during this period when transition is still prospective, the United States might consider spearheading a wide-ranging effort to develop coordinated international plans to offer Burma assistance with economic and political development at specified points in the future. The OECD principles for assistance to fragile states (appended to this study) represent a comprehensive starting point and roadmap for such an effort. Burma and its specific conditions would provide the ideal case study for testing the viability of these principles. This kind of effort might even make it possible to involve Burmese experts in articulating some of the tasks and proposed assistance programs.

Whatever policy adjustments the United States might decide to make in the future, however, U.S. policy must remain firmly fixed on the objective of achieving democratic government in Burma and therefore on unfailing support for the country’s democratic forces, especially the embattled National League for Democracy and its General Secretary Aung San Suu Kyi. Under Aung San Suu Kyi’s guidance, the NLD has kept the promise of democracy alive for 17 years, braving the threats and intimidation of the military regime at great personal sacrifice. It is a testament to the NLD’s durability that, after a 17-year struggle for survival, it is still the beacon for other democracy forces in the country. When the time comes for real transition, Burma will need a steady point of reference to articulate and demarcate the route to democracy. Although it will certainly be a healthy sign if many new democratic voices emerge, it will be a long time before any of them can attain the national stature and democratic vision of the NLD and Aung San Suu Kyi.
Appendix 1. Principles For Good International Engagement in Fragile States

OECD Development Co-Operation Directorate
DCD(2005)8/REV2
April 7, 2005

PREAMBLE

A durable exit from poverty and insecurity for the world’s most fragile states will need to be driven by their own leadership and people. International actors can affect outcomes in fragile states in both positive and negative ways. International engagement will not by itself put an end to state fragility, but the adoption of the following shared principles can help maximize the positive impact of engagement and minimise unintentional harm.

The long-term vision for international engagement in fragile states is to help national reformers to build legitimate, effective and resilient state institutions. Realisation of this objective requires taking account of and acting according to the following principles:

1. Take context as the starting point. All fragile states require sustained international engagement, but analysis and action must be calibrated to particular country circumstances. It is particularly important to recognize different constraints of capacity and political will and the different needs of: (i) countries recovering from conflict, political crisis or poor governance; (ii) those facing declining governance environments, and; (iii) those where the state has partially or wholly collapsed. Sound political analysis is needed to adapt international responses to country context, above and beyond quantitative indicators of conflict, governance or institutional strength.

2. Move from reaction to prevention. Action today can reduce the risk of future outbreaks of conflict and other types of crises, and contribute to long-term global development and security. A shift from reaction to prevention should include sharing risk analyses; acting rapidly where risk is high; looking beyond quick-fix solutions to address
the root causes of state fragility; strengthening the capacity of regional organizations to prevent and resolve conflicts; and helping fragile states themselves to establish resilient institutions which can withstand political and economic pressures.

3. Focus on state-building as the central objective. States are fragile when governments and state structures lack capacity – or in some cases, political will - to deliver public safety and security, good governance and poverty reduction to their citizens. The long-term vision for international engagement in these situations must focus on supporting viable sovereign states. State-building rests on three pillars: the capacity of state structures to perform core functions; their legitimacy and accountability; and ability to provide an enabling environment for strong economic performance to generate incomes, employment and domestic revenues. Demand for good governance from civil society is a vital component of a healthy state. State-building in the most fragile countries is about depth, not breadth – international engagement should maintain a tight focus on improving governance and capacity in the most basic security, justice, economic and service delivery functions.

4. Align with local priorities and/or systems. Where governments demonstrate political will to foster their countries’ development but lack capacity, international actors should fully align assistance behind government strategies. Where alignment behind government-led strategies is not possible due to particularly weak governance, international actors should nevertheless consult with a range of national stakeholders in the partner country, and seek opportunities for partial alignment at the sectoral or regional level. Another approach is to use ‘shadow alignment’ – which helps to build the base for fuller government ownership and alignment in the future - by ensuring that donor programs comply as far as possible with government procedures and systems. This can be done for example by providing information in appropriate budget years and classifications, or by operating within existing administrative boundaries.

5. Recognise the political-security-development nexus. The political, security, economic and social spheres are interdependent: failure in one risks failure in all others. International actors should move to support national reformers in developing unified planning frameworks for political, security, humanitarian, economic and development activities at a country level. The use of simple integrated planning tools in fragile states,
such as the transitional results matrix, can help set and monitor realistic priorities and improve the coherence of international support across the political, security, economic, development and humanitarian arenas.

6. Promote coherence between donor government agencies. Close links on the ground between the political, security, economic and social spheres also require policy coherence within the administration of each international actor. What is necessary is a whole of government approach, involving those responsible for security, political and economic affairs, as well as those responsible for development aid and humanitarian assistance. Recipient governments too need to ensure coherence between different government ministries in the priorities they convey to the international community.

7. Agree on practical coordination mechanisms between international actors. This can happen even in the absence of strong government leadership. In these fragile contexts, it is important to work together on upstream analysis; joint assessments; shared strategies; coordination of political engagement; multi-donor trust funds; and practical initiatives such as the establishment of joint donor offices and common reporting and financial requirements. Wherever possible, international actors should work jointly with national reformers in government and civil society to develop a shared analysis of challenges and priorities.

8. Do no harm. International actors should especially seek to avoid activities which undermine national institution-building, such as bypassing national budget processes or setting high salaries for local staff which undermine recruitment and retention in national institutions. Donors should work out cost norms for local staff remuneration in consultation with government and other national stakeholders.

9. Mix and sequence aid instruments to fit the context. Fragile states require a mix of aid instruments, including, in particular for countries in promising but high risk transitions, support to recurrent financing. Instruments to provide long-term support to health, education and other basic services are needed in countries facing stalled or deteriorating governance – but careful consideration must be given to how service delivery channels are designed to avoid long-term dependence on parallel, unsustainable structures while at the same time providing sufficient scaling up to meet
urgent basic and humanitarian needs. A vibrant civil society is important for healthy government and may also play a critical transitional role in providing services, particularly when the government lacks will and/or capacity.

10. Act fast... Assistance to fragile states needs to be capable of flexibility at short notice to take advantage of windows of opportunity and respond to changing conditions on the ground.

11. ...but stay engaged long enough to give success a chance. Given low capacity and the extent of the challenges facing fragile states, investments in development, diplomatic and security engagement may need to be of longer-duration than in other low-income countries: capacity development in core institutions will normally require an engagement of at least ten years. Since volatility of engagement (not only aid volumes, but also diplomatic engagement and field presence) is potentially destabilizing for fragile states, international actors commit to improving aid predictability in these countries, by developing a system of mutual consultation and coordination prior to a significant reduction in programming.

12. Avoid pockets of exclusion. International engagement in fragile states needs to address the problems of “aid orphans” - states where there are no significant political barriers to engagement but few donors are now engaged and aid volumes are low. To avoid an unintentional exclusionary effect of moves by many donors to be more selective in the partner countries for their aid programs, coordination on field presence and aid flows, and mechanisms to finance promising developments in these countries are essential.

i The piloting of the Principles will draw on the experience of the Good Humanitarian Donorship Principles endorsed in Stockholm (June 2003).

ii For governments where political will exists and capacity is the main constraint, supporting state-building means direct support for government plans, budgets, decision-making processes and implementing structures. In countries where political will is the main constraint, support for long-term state-building does not necessarily imply short-term support for government - but it does mean moving beyond repeated waves of
humanitarian responses to a focus on how to support and strengthen viable national institutions which will be resilient in the longer-term. A vibrant civil society is also important for healthy government and may play a critical transitional role in providing services, particularly when government lacks will and/or capacity.

iii The Addis Ababa principle developed in November 2001 as part of the Strategic Partnership for Africa Initiative states: "All donor assistance should be delivered through government systems unless there are compelling reasons to the contrary; where this is not possible, any alternative mechanisms or safeguards must be time-limited and develop and build, rather than undermine or bypass, governmental systems."
ABOUT THE AUTHOR

Priscilla Clapp is a retired Minister-Counselor in the U.S. Foreign Service. She is currently involved in community and academic work with several institutions.


ABOUT THE UNITED STATES INSTITUTE OF PEACE

The United States Institute of Peace is an independent nonpartisan institution established and funded by Congress. Its goals are to help prevent and resolve violent conflicts, promote post-conflict stability and development, and increase peacebuilding capacity and tools. The Institute does this by empowering others with knowledge, skills, and resources, as well as by directly engaging in conflict management efforts around the globe.