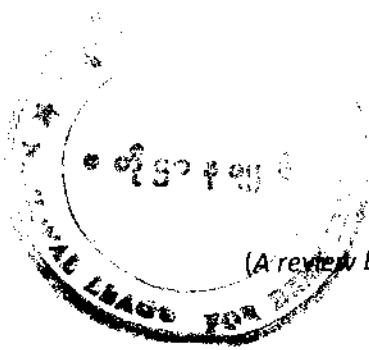


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Sanctions on Burma

(A review by the National League for Democracy, 8 February 2011)

In recent months sanctions have repeatedly featured in discussions over the kind of policies that would best encourage positive change in Burma. Are current administrative policies and practices conducive to a healthy economy, with or without sanctions? Are allegations that sanctions have exacerbated the hardships of the people of Burma justified or are such accusations based on political motives? Are sanctions in their present form likely to achieve the desired objectives? Are there credible signs of progress in the democratization process? The issue of sanctions needs to be examined within the broad context of political desiderata and economic realities.

The extent to which sanctions bear responsibility for the economic hardships of the people of Burma is a subject that has raised much controversy. The International Monetary Fund has pinpointed poor economic policies and performances, mismanagement and an unattractive investment climate as the main causes of the ills of the economy. The Fund does not see sanctions as a significant factor in regard to the economic problems of the country. It might be well to consider here the allegation that development has been held back because of a sanctions related fall in development assistance. It should be noted that most Official Development Assistance to Burma was stopped only after 1988. However, by December 1987 Burma had already fallen to the status of a Least Developed Country in spite of the 3,712 million US dollars that was received in aid between 1978-1988.

Have sanctions led to foreign trade constraints harmful to social conditions in Burma? The volume of Burmese foreign trade has actually increased rapidly since the late 1990s. Earnings from natural gas alone generated about 35% of total export earnings for the fiscal year 2008-09. Natural gas exports began in 1998 and brought in 1,070 million dollars in 2005-06 and 2,380 million dollars in 2008-09. It is estimated that gas exports could reach the 4,000 million dollar mark by 2010-11. Such sales of natural resources augmented income and strengthened financial resources. Foreign exchange reserves rose to 4,041.6 million dollars in 2008-09. Yet despite increasing financial strength, education and health care have been neglected and living standards have not risen. According to the 2010 Human Resources Development Report of the United Nations Development Programme, Burma has fallen behind Laos and Cambodia and now ranks lowest among the nations of South East Asia.

If we look at Foreign Direct Investment (FDI), foreign capital went mainly into the extraction of natural resources. Whereas FDI for 2008-09 totalled 925 million dollars, permitted foreign investment in 2009- 2010 increased to 15,839 million dollars, of which 62% was in the oil and natural gas sectors. The rest went to hydroelectric power generation and mining. Investments in other sectors were insignificant. Productive investments have been impeded by an unfavourable business

environment comprising multiple exchange rates, lack of accountability and corruption. Even investments by some Asian countries unrelated to economic sanctions were withdrawn from Burma during the 1990's.

The Burmese garment industry was hardest hit by sanctions. 1998 to 2001 were the boom years for the garment industry because of high demand from American and European markets. Earnings from garment exports fell by 400 million dollars in 2003 as a result of US sanctions. Of that loss, only about 2.5% was related to labour wages. The main burden was borne by big businesses and by the privileged classes that were exploiting the country and the labour force. As garment factories could not export directly to the countries for which their goods were destined but had to reroute their goods through third countries, Burmese profits fell. However, by 2008-09, the garment industry had recovered due to the influx of new business from China. Currently, income from garment exports ranks third in the export earnings line-up.

The rural population engaged in agriculture, which comprises 63% of the total population of the country, has not been affected by economic sanctions. Rather, peasants have suffered from lack of freedom in production and marketing, from forced sales of agriculture land and from policies and practices that have resulted in the gross suppression of the price of farming products. Thus the hardships of the vast majority of the people of Burma are not related to sanctions but to misguided government policies.

It might be appropriate to mention here certain practices current in the forestry sector. Excellent laws and regulations, promulgated since colonial times, relating to the conservation of forests still remain valid. However these have been consistently ignored and for decades irresponsible logging has been rife throughout the forests of the country, particularly in areas contiguous to the national borders. Once pristine forests have been turned into bare tracts of land, the unhappy consequence of complicity between rapacious timber merchants from neighbouring countries and corrupt local authorities. From this example it can be seen that much of the present imbalance in the economic development of Burma is due to a lack of systematic management of domestic resources. Sanctions cannot be blamed for the distressing state of Burma's forests.

Criticism of sanctions, particularly economic sanctions, sometimes serve to divert attention from the main problems plaguing the country. Allegations that economic sanctions have prevented the emergence of a middle class overlook the glaring fact that there is no genuine market economy in Burma. Blatant cronyism is the trademark of the Burmese economy and constitutes the main obstacle to the emergence of small and medium enterprises. Similarly, allegations that it is sanctions that have distanced the ordinary people of Burma from concepts of good governance totally ignore the refusal of the military regime to accept suggestions of reforms that might in any way diminish their absolute grip on power in all spheres of the life of the nation. It has been claimed that sanctions have kept out high technology from the west while the only accessible technology, from countries that are not overly concerned with ethical considerations, is sub-standard. Such a claim is tantamount to an absolution of governmental responsibility for ensuring that business contracts incorporate stipulations that protect the interests of the country and the people.

It has been further alleged that financial sanctions are ineffective and poorly targeted. In actual fact only members of the military junta and their associates have been denied access to the United States' financial system and since the average Burmese citizen does not have a bank account

it can be asserted that these measures do not hurt the public at large. Financial sanctions have also prevented, albeit imperfectly, the laundering of black money and the siphoning off of revenues from the sale of gas and other natural resources.

Targetted sanctions serve as a warning that acts contrary to basic norms of justice and human rights cannot be committed with impunity even by authoritarian governments.

Sanctions were imposed on Burma by the United States, member countries of the European Union, Canada, New Zealand and Australia with the following aims:

- (a) To put an end to human rights violations;
- (b) To promote democratic values and practices;
- (c) To discourage the military government from oppressing the people.

The legislative assemblies that have emerged as a result of the 2010 elections are totally dominated, at all the national and regional levels, by the combined body of the Union Solidarity and Development Party, which was founded by the State Peace and Development Council (the erstwhile State Law and Order Restoration Council) and the non-elected military representatives nominated by the commander-in-chief. Moves to designate these assemblies as the only permitted field for political play reduces democratization in Burma to a parody. The special appeal of the National League for Democracy (NLD) against its deregistration was dismissed with indecent haste and without acceptable legal justification by the Supreme Court. This too is an indication of intent to limit political activities in the country to a minimum.

Now more than ever there is an urgent need to call for an all inclusive political process. The participation of a broad spectrum of political forces is essential to the achievement of national reconciliation in Burma. Progress in the democratization process, firmly grounded in national reconciliation, and the release of political prisoners should be central to any consideration of changes in sanctions policies.

The views of the NLD with regard to sanctions may be summarized as follows:

1. The United States, member countries of the European Union, Canada, New Zealand and Australia imposed sanctions on Burma to effect improvements in the human rights situation and to promote democratic values.
2. Sanctions are the result of decisions made by the countries concerned, not the outcome of demands by political parties, organizations or individuals in Burma.
3. Recently there have been calls for the removal of sanctions by some political parties, organizations, individuals and nations. Most of these calls seem to have been motivated by political considerations. Available evidence indicates that economic conditions within the country have not been affected by sanctions to any notable degree.

4. As the major causes of sanctions are violations of human rights and lack of democratic practices, it is by dealing effectively with these issues that the removal of sanctions can best be effected. The release of all political prisoners is a critical requirement.
5. We therefore urge the Government of Burma to take the necessary steps speedily and assiduously.
6. The NLD considers that in the meantime the economic hardships of the people would be ameliorated if businesses that have already invested, or are thinking of investing, in Burma were to observe guidelines aimed at conserving the ecological environment, protecting the rights of workers and promoting civil society.
7. The NLD calls for discussions with the United States, the European Union, Canada and Australia with a view to reaching agreement on when, how and under what circumstances sanctions might be modified in the interests of democracy, human rights and a healthy economic environment. A study and analysis by a team of widely-respected professionals on the effects of sanctions would be beneficial to such discussions.
8. The international community has long expressed a wish to see Burma progress along the road to democracy and economic prosperity. Appropriate policies, wisely coordinated and consistently applied would constitute the best path to the achievement of this objective.