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## Prospects for Burma After Aung San Suu Kyi's Release (ARI)

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**Theme:** Aung San Suu Kyi's release will have important implications for the country in 2011 and 2012.

**Summary:** Aung San Suu Kyi's release coincided with the holding of national elections for a military-designed state to provide the ruling junta with a veneer of legitimacy. Nevertheless, the lifting of sanctions will remain the central issue facing Burma's relations with foreign countries, which will have to balance out human rights issues and investment opportunities. Aung San Suu Kyi and her treatment by the new government will play a determining role in deciding this issue.

**Keywords:** Burma, Aung San Suu Kyi, elections, sanctions.

**Analysis:** Aung San Suu Kyi was released on 13 November 2011 after seven years of house arrest (although over the course of the past 21 years she has spent a total of about 15 years under house arrest). The military junta, led by General Than Shwe, made the release shortly after holding the first election in 20 years, although the election in 1990 was never recognised. Regime sympathisers have portrayed the timing of the release as a genuine mark of reform worthy of praise and a reduction in sanctions. In fact, this was the scheduled end of her sentence anyway and represented no shift in the regime's approach.

It appears more likely that the regime timed the elections to coincide with Aung San Suu Kyi's arrest, in the hopes perhaps that the release would lend an air of authenticity to the nominal transition in power to civilian control. Aside from new structures of government, the main figures at the head of Burmese politics remain the same. The country's ruler, at least until he finally relinquishes power, is Than Shwe. The highest civilian post in the new government, the presidency, is occupied by the same man who held the top civilian post, that of Prime Minister, in the old government, Thein Sein. Under the new constitutional arrangements, the military itself will remain the dominant voice in the state. The main voice of opposition to the government remains Aung San Suu Kyi, the head of the officially disbanded, but very much alive, National League for Democracy (NLD). Like their leader, since November the party has become re-energised and appears no less popular than before. The question that will loom large over the course of the next year is what the implications of Aung San Suu Kyi's release will be for Burma.

### *International Sanctions*

The main issue at the forefront of everyone's thinking is sanctions and it is the central issue influencing Burma's relationships with other countries. The two most important questions about sanctions is how effective they are, and hence how much of a role they played in the change of government structures, and whether or not these changes will prove to be sufficient for foreign governments to lift the sanctions.

Recent information suggests that sanctions have been effective in hurting certain groups with close links to the junta's top families although much effort has been made to encourage the belief that they have been counter-productive. The NLD had originally encouraged boycotts on travel to Burma and for Western companies to quit doing business with the regime until democratic reforms were made, including the recognition of the 1990 election results. The obvious conundrum for sanctions supporters was that Burma was already an impoverished country and sanctions would make things worse for everyday people rather than for the privileged elite who would find other ways to profit even in the worst of times. Certainly, this is evidenced in part by natural gas deals with Western energy consortiums, which were able to evade the sanctions, and more recently Chinese companies. Deals with these interests have led to a grand enrichment of the generals and their families.

Based on the few studies permitted by the regime of the economic impact on the country of sanctions, scholars have difficulty assessing how much good (or bad) the sanctions are actually achieving. Indeed, when Aung San Suu Kyi was released in November, she herself suggested that she might be more amenable concerning ending the sanctions, but only once reliable information was available regarding whether the sanctions were having an effect and if everyday Burmese were being impacted. International Monetary Fund reports on the country have not been made publicly available in recent years making this task more difficult. Nevertheless, the most recent information we have suggests that everyday Burmese are not being adversely impacted by the sanctions and that the sanctions are actually hurting the military elite, however much they have softened the blow by other means. Indeed, it is now clear that hopes of ending the sanctions were probably the main reason for the creation of the new civilian government anyway –foreign governments, the US and the EU in particular, had made these conditions for the end of sanctions–.

The NLD has since rearticulated its support for the sanctions and for responsible tourism in the country, with a rollback of some sanctions only when the 2,100 political prisoners held in the country are released. The US Deputy Assistant Secretary of State for East Asian and Pacific Affairs Joseph Y. Yun has made it clear that the US will not lift sanctions until the military junta meets several conditions. These include: (1) recognition of the NLD; (2) release of its political prisoners; and (3) engagement in dialogue with Aung San Suu Kyi. An important obstacle is that military strongman Than Shwe's personal animosity towards Aung San Suu Kyi is so great, due to a combination of her international and domestic popularity, commitment to principles, and the fact that she is the daughter of the national

father General Aung San, that he has refused to deal with her at all costs. In short, the elections and the release of the famed democracy leader, while hailed by the PRC, India and ASEAN as sufficient for the West to end the sanctions, have been discounted as superficial, calculated, and generally meaningless by nearly all credible accounts of the country. It is unlikely that sanctions will be lifted immediately.

It may appear at first glance that the West has little to lose from maintaining the sanctions. Most Western companies sold off their local subsidiaries to domestic and other Asian buyers long ago and those Western companies that continue to deal with the regime have successfully skirted the existing sanctions anyway. The main current and prospective investors in Burma, ASEAN countries Thailand and Singapore as well as energy-hungry neighbours India and China, have not imposed sanctions. As a result, the dramatic increase in investment from China into Burma begun in early 2010 totalling US\$8 billion (Over £2 billion in fuel, US\$5 billion in hydropower, and about US\$1 billion in mining), for example, will continue to escalate. China is most intent on developing access to Indian Ocean trade through Burma, its movement facilitated by a massive railway construction programme connecting Yunnan with all of Burma's major ports. Far from writing off Burma to Chinese competitors, however, many Western and Japanese businesses eagerly hope for an end to sanctions to do business in the country, which offers a huge field of virtually untapped cheap labour (at a time of rising labour costs in China). Such interests will not seek to evade the sanctions, however, as the advantages would not outweigh the disadvantages of running foul of Western governments or disinvestment campaigners. As sanctions fail to be lifted, it is likely that we will see an increase in well-funded conferences, debriefings, and websites by anti-sanctions' advocates calling into question the effectiveness of sanctions and focusing discussion on what now appear to be dubious claims of the adverse impact on the general population in the country. This 'smoke and mirrors' approach threatens to confuse the actual situation in the country and may lead to the eventual softening of sanctions by some governments in the next few years.

#### *The Role of Aung San Suu Kyi*

Aung San Suu Kyi, denied the mantle of formal political leadership by the regime, has demonstrated the ability and willingness to emerge as Burma's national moral leader. This will be a crucial factor in Burma's near future as the most significant developments in Burma in 2011 and 2012 will be social and political. The government has successfully fashioned a constitution that leaves the military in control but is civilian enough in its structures to appease ASEAN, India and China. However, it is not civilian enough to appease Burma's general population.

Currently, the NLD is attempting to expand its links with other Democratic groups, especially those that have emerged in 2010 to participate in the elections. Many candidates outside of the main military front party (and political wing of the regime's mass-based social organisation, the Union Solidarity and Development Association or USDA), the Union Solidarity and Development Party (USDP), were disappointed with the failure of the regime to hold free and fair elections as promised. As a result, the NLD will find fertile ground for a considerable broadening of the Democratic front in the country over the course of the next year and thus increase further the chances for another military crackdown on Democracy campaigners. Aung San Suu Kyi is meanwhile meeting with foreign dignitaries in the hopes of ensuring that international attention will be focused on Burma's domestic politics in order to keep up pressure on the regime, which has had a notorious record of mistreating political dissidents, in particular when the country is shut to foreign media.

#### *Emerging Democratic and Ethnic Forces*

Social unrest on the level of the months leading up to the Saffron Revolution in 2007 is also likely in the next few years for several reasons. The military is locked into projects, including a possible nuclear weapons programme, for which it needs large amounts of money. Much of the money earned from natural gas deals is believed to be siphoned off into private bank accounts outside the country or, which is certainly partly the case stockpiled for emergency use, so other state revenues are channelled into defence spending, leaving spending on education and health at some of the lowest national levels anywhere in the world. This will certainly also be the case regarding revenues from the new gas pipeline that is to be built and will be opened in 2013. In the meantime, when Western sanctions fail to be lifted as quickly as the regime has hoped, it is going to continue to drain much needed investment in social welfare into increased defence spending to make up for the difference. The plight of most Burmese, aside from the tiny military and business elite will become worse not better in the years ahead. As many Burmese are living at a barely subsistence level and in dire health circumstances, any worsening of the economic situation even in single-digit percentiles will have devastating human consequences.

The new government is also not representative enough to satisfy ethnic hill tribes, many of which have not ended their separate conflicts with the regime. Many others that have are looking towards revitalising the flagging 50-year-old civil war. While the NLD's and ethnic hill tribes' woes have been separate matters for the past 20 years, its new strategy is to connect the two struggles with the holding of a second Panglong Conference, making calls for federalism and democracy kindred political issues. This will present a formidable threat to the regime, for Aung San Suu Kyi was clearly supported by the general population and the monastic order in the lowlands –join to this the ethnic highlanders and it is easy to see a very real potential threat to the regime–.

The re-mobilisation of ethnic hill tribes and lowland mass politics will be a major conundrum for the regime. The regime currently benefits from Chinese (and Russian) support, both materially in the form of trade, investment and loans, and politically, from Chinese (and Russian) protection in the Security Council and diplomatic aid internationally. China even extends moral aid through its media and public calls praising the military's behaviour in the country even during some of the worst of times. Nevertheless, even China will not support the regime if it fails to deliver regarding security on the Burmese side of the frontier with China or in terms of stability within a country in which so much Chinese investment in businesses and infrastructure has taken place.

Aung San Suu Kyi clearly recognises the importance of the China factor. Indeed, she has gone to pains to explain in the international media that she does not consider China to be a threat to Burma. She also welcomes a very close relationship with China, making it clear to the regional hegemon and erstwhile incipient superpower that China has

nothing to fear from her or the NLD. If the military is unable to keep order without major hiccups, something it has been unable to do in the past over the long term or if it is unable to prevent or indeed if it encourages a major upswing in the civil war in the highland areas, Chinese concerns may grow. In either case, China may see the NLD and their dogged leader as a safer bet for billions in Chinese investment.

Nevertheless, the regime is taking steps to counter newly emergent democratic and ethnic forces. In December 2010, it promulgated a new conscription law to require two years of military service from men 18 to 45 years of age and women 18 to 35 years of age. In the last few years, the USDA has grown to 25 million members because of intimidation and the limitation of economic opportunities in the impoverished country to members. The regime has also recently acquired new advanced weapons systems with which to secure its position, centred on the new and heavily defended capital at Naypyidaw.

**Conclusion:** As the regime fails to win concessions on sanctions from the West and Aung San Suu Kyi and ethnic rebels demonstrate popular support, we can expect the chronically paranoid military leadership to worsen not better its treatment of its opponents. It will most likely increase the incarceration of political prisoners, return Aung San Suu Kyi to house arrest, and tighten even more controls on communications within the country and with the outside world. The military will probably also initiate a renewed military campaign against ethnic areas within the next two years, although this will be risky given negative Chinese reactions to the fighting in Kokang in August 2009, in order to finally put an end to its woes on its periphery. At the same time, the military has also made an attempt in the formation of the new government to indicate the inclusiveness possible through cooperation with the selection of an ethnic Shan as one of the official nominees for President in nominal competition with Thein Sein and Tin Aung Myint Oo for the position. Ultimately, the losers were instead each made one of the country's two Vice-presidents.

What the regime will be less prepared for are challenges from within the military and, to a lesser extent, the business elite. The new constitution (2008) and newly-elected (2010) government have been arranged to make the head of the military the most powerful person in the country, to give the military virtual veto-powers in the different parliamentary bodies, and make the military separate from the state in defence and security matters. While this makes the state vulnerable to the military, it also gives a broader and deeper range of exposure to civilian leaders and nominal democratic structures to military officers, taking them out of the seclusion of the army camp and into the political training ground that is a parliament.

Simultaneously, the sell-off of state properties and businesses, on the order of 300 last year, at bargain basement prices in the privatisation bonanza that took place in 2009 and 2010 (and what remains will likely be sold off in 2011 and 2012) favoured the most connected families among the military elite. Most soldiers and even most low-ranking officers earn very little. With sanctions and corruption limiting the flow of financial gain to the few rather than the many, it is highly likely that new forces within the military, motivated by greed, self-preservation or even a combination of professionalism and nationalism may threaten the regime from within. Certainly, in Burmese political culture, factionalism has always been a factor characterising every civilian and military government since the end of colonial rule, leading most recently to the ousting and arrest of General Khin Nyunt in 2004. Resurgent factionalism within the governing elite may prove the regime's Achilles heel and Aung San Suu Kyi's best opportunity.

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