



Conditions in Burma and U.S. Policy Toward Burma for the Period September 28, 2005 - March 27, 2006

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Introduction and Summary

Despite mounting international pressure on the Burmese military regime to implement genuine reform, prospects for meaningful political change and reform continued to decline over the past six months as a result of the regime's continued disregard for human rights, its intolerance of dissent, and its ongoing efforts to perpetuate military rule. The Government of Burma (GOB, also referred to as the State Peace and Development Council -- SPDC) extended the incommunicado house arrest of senior democratic opposition leaders Aung San Suu Kyi and U Tin Oo. The regime sentenced Hkun Htun Oo and other Shan pro-democracy activists to multiple life prison terms in November after secret trials. The National League for Democracy's (NLD) party headquarters in Rangoon remained open, but all the party's other offices remained closed. On December 16, the UN Security Council discussed Burma during informal consultations following a briefing on the situation in Burma by Under Secretary General for Political Affairs Gambari. The Association of Southeast Asian Nations (ASEAN) began to speak out more forcefully about the need for the regime to reform. The GOB increased restrictions on NGOs and UN agency staff providing humanitarian assistance inside Burma.

The GOB continued to arrest people for taking part in peaceful political activities, and over 1,100 persons remained jailed for their political beliefs. The National Convention (NC) to draft a new constitution recessed on January 31. The junta failed to set a timetable for concluding the NC process or for taking subsequent steps on its "road map to a disciplined democracy," including a national referendum on a new constitution and an oft-promised transition of power to an elected government.

The United States continued to speak out against the deplorable record of the regime and encouraged countries in the region -- including ASEAN members, Japan, India, and China, as well as the European Union and other interested parties -- to call for the release of political prisoners and the initiation of a credible, inclusive political process. In a March 18 joint statement, Secretary of State Condoleezza Rice and the Foreign Ministers of Australia and Japan underscored the need for meaningful progress towards democracy and for the GOB to release all political prisoners.

The regime's dismal economic policies have continued to make life for ordinary Burmese increasingly difficult, and have resulted in the flight of most foreign investors. Though informal cross-border commerce is still conducted in U.S. dollars, financial sanctions led the Burmese increasingly to encourage the use of euros for official trade, increasing the cost of foreign exchange transactions. In early 2006, some banks in China, Japan and Singapore began refusing to handle dollar-denominated accounts for Burmese entities, making it even more difficult for the government and private sector to conduct international financial transactions. Burma remains on the Financial Action Task Force's (FATF) list of non-cooperative countries and territories.

The SPDC continued to abuse severely the human rights of Burmese citizens. Freedom of speech, press, religion, assembly, and association remained greatly restricted. Egregious abuses of ethnic minority civilians by the Burmese military continued, including rape, torture, execution, and forced relocation. Forced labor, trafficking in persons, and religious discrimination remained serious problems. During the reporting period, the SPDC refused requests by UN Secretary General Kofi Annan's Special Envoy Razali Ismail and UN Commission on Human Rights Special Rapporteur Paulo Sergio Pinheiro to visit Burma. Razali resigned in January. After months of stalling, the regime allowed Malaysian Foreign Minister Syed Hamid to visit in accordance with ASEAN's decision announced at its December 2005 summit.

In November 2005, with no prior warning, the regime began to relocate the seat of government from Rangoon to the vicinity of Pinyinman, a previously undeveloped rural town some 250 miles north of Rangoon. This move farther isolated the regime from the Burmese people and the international community; foreign diplomats have not been allowed officially to visit the new capital. The regime is diverting significant resources to Pinyinman for construction of new buildings and infrastructure.

Overall U.S. policy goals include the establishment of constitutional democracy, respect for human rights and religious freedom, the repatriation of refugees with monitoring by UNHCR, the return home of internally displaced persons (IDPs), cooperation in fighting terrorism, regional stability, a full accounting of missing U.S. servicemen from World War II, combating HIV/AIDS and other infectious diseases, eliminating trafficking in persons, ending forced labor, and increased cooperation in eradicating the production and trafficking of illicit drugs. Specific U.S. policy objectives in Burma are: the immediate and unconditional release of Aung San Suu Kyi, U Tin Oo, Hkun Htun Oo and all political prisoners; the start of a credible, inclusive national reconciliation process; the lifting of restrictions on UN agencies and NGOs providing humanitarian assistance; and the granting of access to the country for UN representatives.

I. Measuring Progress Toward Democratization

Burma's pro-democracy movement continued to face severe repression. The GOB constantly harassed and regularly arrested opposition party members, pro-democracy activists, dissidents, and their supporters. On March 17, 2006, Rangoon fire and police officials fatally beat former political prisoner Thet Naing Oo in public. Aung San Suu Kyi, the Nobel Peace Prize Laureate General Secretary of the NLD, and U Tin Oo, the party's Vice Chairman, remained under house arrest. All NLD offices, except the party's Rangoon headquarters, remained closed. Hkun Htun Oo, the Chairman of the Shan Nationalities League for Democracy (SNLD) - Burma's most influential ethnic democracy party -- was sentenced to two life sentences plus 53 years in prison after a secret trial during which he was charged with conspiracy against the state. Eight Shan activists arrested with him in February 2005 also received harsh sentences.

Authorities continued to arrest and imprison NLD members and other democracy supporters for alleged political offenses. Over 1,100 long-term political prisoners remain jailed.

U.S. officials regularly requested meetings with Aung San Suu Kyi and U Tin Oo, but the government prohibited U.S. and other diplomats in Burma from visiting either. No independent observer has been able to visit Aung San Suu Kyi since Former UN Secretary General Special Envoy Razali Ismail met with her in March 2004. She is now held virtually incommunicado. The regime extended her detention for an additional six months in November 2005, and extended U Tin Oo's house arrest by 12 months in February 2006.

Despite the government's refusal to allow Razali and Pinheiro to visit Burma during the reporting period, Razali continued to encourage a political dialogue between the SPDC and the NLD. These efforts, however, consisted entirely of diplomatic discussions outside of Burma. The GOB has not permitted Razali or Pinheiro to visit since March 2004 and November 2003 respectively. Razali resigned his post on January 7, 2006; the UN Secretary General has not yet named a successor.

The junta's National Convention to complete the drafting of a new constitution -- the first step on its "road map to disciplined democracy" -- recessed on January 31, 2006. As in May 2004 (when the Convention originally reconvened after an eight-year hiatus), the SPDC handpicked pro-regime delegates to participate in the Convention and prohibited free and open debate. In 2004, the regime imposed conditions that precluded the participation of the NLD and other pro-democracy groups, including prohibiting the parties from selecting their own delegates and detaining their leaders. The regime has refused to invite these parties to subsequent sessions of the Convention.

Pinheiro noted in his report to the 62nd session of the UN Commission on Human Rights that "The situation regarding the exercise of those fundamental freedoms and rights [in Burma] remains grave," and that "The procedures and principles which govern the National Convention remain fundamentally anti-democratic." The report also states that "No progress will be made towards national reconciliation as long as key political representatives are being locked behind bars, their constituents subject to grave and systematic human rights abuses and their political concerns disregarded." Pinheiro continued to urge the government to release political prisoners, allow all opposition parties to participate in the National Convention, investigate the May 2003 attack on Aung San Suu Kyi, and allow an independent investigation of allegations of rape and other abuses by the Burmese military in ethnic regions. The government has not responded to any of these requests.

Following the first ever UN Security Council discussion on Burma on December 16, 2005, UNSYG Annan encouraged the Burmese Government to "accelerate the national political process, and ensure that it is inclusive and all political parties and personalities are able to participate freely and willingly, including Aung San Suu Kyi." Although the junta has not set a firm timetable for completing its "road map," it continued to seek support for the process from countries in the region. At its December 2005 summit, ASEAN issued a statement calling for the release of those placed under detention and encouraging Burma to expedite the process of democratization. The statement also conveyed ASEAN's decision to send Malaysian Foreign Minister Syed Hamid to Burma in his capacity as Chairman of the ASEAN Standing Committee to assess "first hand" the "progress" toward democratization. The regime did not allow Hamid to visit until March 23-24, 2006. Senior GOB ministers visited India, ASEAN capitals, and China during the last six months and the regime hosted state visits by the Presidents of Indonesia and India.

The SPDC and one of Burma's largest ethnic armed groups, the Karen National Union (KNU), entered into a temporary cease-fire in early 2004 after KNU leader General Bo Mya visited Rangoon and held "productive" discussions. The regime has since stalled talks, and the two sides have yet to formalize an end to over five decades of armed conflict. In the meantime, there have been reports of occasional, low-level skirmishes between the Karen National Liberation Army (KNLA) and the Burmese military, as well as between the military and Kachin and Shan insurgents. KNLA (the military wing of the KNU) operations are defensive in nature, while the KNU leadership aims to resolve its differences with the military regime through dialogue.

II. The Quality of Life in Burma

(Economy)

Unpredictable government interventions in the economy, including directed crop planting and changes in import and export permit processes, coupled with the abrupt relocation of the administrative capital to Pyinmana, contributed to an increasingly uncertain business environment. The sudden reduction or fuel subsidies in October 2005, which raised the official price of diesel by 800%, had a significant impact, especially on the poor, as the prices of transport and food rose markedly. The military regime and its commercial entities and crony companies continued to control the most lucrative sectors of the Burmese economy. The kyat reached a record low in late September, although it appreciated slightly with the arrival of the tourist season. Despite this partial recovery, the currency has lost about 25% of its market value against the dollar as compared to last year at the same time.

Despite worsening energy shortages, lingering effects of the crisis in the 2003 private banking sector, the loss of its primary export market due to the U.S. ban on Burmese imports, and the expiration on January 1, 2005, of the WTO Multi-fiber Agreement, Burma's private garment sector has managed to survive. New orders from importers in EU member states, Japan and Latin America enabled remaining factories to continue production.

Chronic economic policy mismanagement and a resultant poor business and investment climate continued to be the primary reasons for Burma's dismal economic performance. Despite GOB claims of 12.6 percent economic growth in FY 2004-05 (April-March), most foreign observers saw scant evidence of real economic expansion. Investment approvals declined significantly in 2005 compared to the previous year. Interest by Korean, Indian, and Chinese firms in the power and energy sectors increased, particularly in significant new offshore oil and gas finds. China continued investing in infrastructure and commercial activities and remained a strong market for Burmese jade, agricultural products, wood and wood products. PM General Soe Win signed new agreements for grants and concessionary loans on his first state visit to China in February 2006.

In June 2005, Burma applied to join the Asia-Pacific Group on Money Laundering (APG), and was admitted in March 2006, over the objections of the U.S. and some other APG members. Burma remains on the Financial Action Task Force's (FATF) list of non-cooperative countries and territories in the fight against money laundering. Although the GOB has strengthened the provisions and implementation of its anti-money laundering regime, serious money laundering problems persist.

Despite the closure of Myanmar Mayflower and Asia Wealth banks, Burma's actions are still inadequate to ensure that criminals do not control or have a significant investment in Burmese financial institutions. The Treasury Department will therefore continue applying Section 311 of the Patriot Act against the GOB and these two banks until Burma adequately implements legal reforms. In August 2005, GOB officials took over Myanmar Universal Bank (MUB) and arrested its Chairman and Executive Officer, charging him with drug related money laundering crimes. Strong evidence exists that all three banks had connections to money laundering and narcotics trafficking.

(Human rights/forced labor)

The SPDC's severe abuses of human rights have been documented by NGOs, the UNHCR Special Rapporteur, and numerous other sources. Identified by Secretary of State Rice as one of the world's "outposts of tyranny," Burma continued to restrict freedom of speech, press, assembly, religion, and association. Additional abuses in ethnic minority areas included persecution, torture, disappearances, extrajudicial executions, demolition of places of worship, forced relocation, rape, and forced labor. Burmese citizens were not free to criticize their government. Security forces regularly monitored the movements and communications of residents, searched homes without warrants, and relocated persons forcibly without just compensation or legal recourse. In 2005, the United States again designated Burma as a "Country of Particular Concern" for its severe violations of religious freedom, especially among Muslim and Christian populations, and in 2005 ranked Burma as a Tier 3 country for its unwillingness to make serious and sustained efforts to combat trafficking in persons, especially forced labor.

In 2005, the GOB released 368 long-term political prisoners. The majority of these released detainees had already completed their original sentences. Despite these releases, arrests of pro-democracy supporters continued unabated. Authorities detained over 200 individuals over the past year for having peacefully expressed their political views.

The junta allowed UNHCR to maintain a presence in northern Rakhine State, where it provides protection services and limited humanitarian assistance benefiting the 800,000 Rohingya Muslims in the area, particularly the more than 230,000 who have returned from Bangladesh since 1993. Over 20,000 Rohingya refugees remained in camps in Bangladesh and another 10,000 live in Malaysia.

Approximately 140,000 Burmese refugees lived in camps along the border in Thailand. UNHCR has concluded that conditions are still not right for their return to Burma. The GOB is not allowing UNHCR to continue monitoring the Burmese side of the border region to assess conditions for the voluntary return of refugees and hundreds of thousands of internally displaced persons.

On February 7, 2005, the regime issued new guidelines to UN agencies and NGOs operating inside Burma. The new procedures reinforced current and added new GOB requirements such as additional MOUs, more limited authorization for travel, and a requirement for UN officials and NGOs to travel with GOB "liaison" officers when visiting project sites. The guidelines tighten restrictions and access to project sites. During the reporting period, MSF-France and the Center for Humanitarian Dialogue pulled out of Burma due to restrictions on their activities. In his report to the UN Commission on Human Rights, Pinheiro stated that the "worsening [humanitarian] situation is not beyond redress and must be addressed by the Government with the assistance available from the international community, which has a duty to ensure that humanitarian aid does not become hostage to politics." The USG funds NGOs providing assistance to the refugees in Thailand (over \$6.5 million in FY06), as well as UNHCR's and ICRC's humanitarian operations in Burma, Thailand and Bangladesh.

The GOB's economic mismanagement, political intransigence, and repression remained the primary causes of unemployment, illegal migration, and trafficking in persons.

Over one million Burmese migrants continued to live in Thailand, though not all reside there legally. Burmese living illegally in neighboring countries were willing to endure an often perilous existence, working in dangerous or exploitative jobs, because they believed it was more dangerous and/or economically difficult to make a living in Burma.

There was abundant evidence that the practice of forced labor in Burma continued. The ILO remained ready to assist the government, but since March 2005, the GOB has failed to cooperate with the ILO. The GOB condoned persecution of forced labor complainants or their supporters leading the ILO to stop submitting cases for investigation. In October 2005, authorities sentenced NLD member Su Su Nway to 18 months imprisonment for her role in an earlier successful suit against local authorities for imposing forced labor. In February 2006, the Supreme Court denied her appeal. On February 3, 2006, the State Department issued a statement "strongly condemning" this decision, noting that it "highlighted the brutality" of the Burmese regime.

The GOB passed a comprehensive new Anti-Trafficking Law in September 2005, gave it high-level support at a National Seminar in March 2006, and has convicted offenders under the new Law. However, cross-border and internal trafficking continued. Beginning in October 2005, the GOB gradually ended its high-profile campaign of GOB-sponsored rallies vilifying the ILO and regime-orchestrated death threats aimed at the ILO Liaison Officer, which created a hostile environment and made it impossible for the ILO liaison officer to travel in-country. Simultaneously, the GOB threatened to withdraw from the ILO, but did not follow through on this threat. Some government officials now meet with the ILO Liaison Officer, and he has resumed travel in-country, but the GOB still has not responded to ILO requests to develop a mechanism to address forced labor. The use of forced labor met the U.S. and UN definitions of trafficking in persons, and was a key factor in Burma's Tier 3 designation in the Department's 2005 TIP Report. The Burmese Government supported or tolerated the use of forced labor for non-combat portering, construction, maintenance and income-generating activities.

(Environment)

The Ministry of Forestry (MOF) is responsible for overseeing the protection of the environment and the SPDC's profitable logging operations. Logging is a source of revenue for Burma's army as well as many insurgent groups. The MOF instituted a program to increase the size of protected areas. However, the government committed few resources to support the policy and issued contradictory directives that the MOF increase foreign currency revenue from export of teak and other hardwoods. Consequently, unsustainable legal and illegal logging and illicit trade in wildlife products, much of it in border areas where ethnic minority groups have some autonomy, overwhelmed positive efforts to protect natural resources. Conservationists are engaged in a battle against encroaching agriculture, logging, and poaching on "protected lands."

A high profile NGO report on the vast extent of Chinese logging in Burma drew attention in late 2005 to severe deforestation problems, but had no lasting impact. Deforestation by locals for firewood is leading to severe ecological damage, especially in the Irrawaddy delta region and in Chin State and Kachin State, while widespread illegal logging also severely damages the environment and sustainable local economics.

The GOB has focused on the commercial possibilities of eco-tourism. During the last several years, the government opened up areas in Chin State, Kachin State, Sagaing Division, and Tanintharyi Division to specially arranged eco-tourism. There were credible reports in the past that in the promotion of some of these tourism activities the government expropriated civilian property and forced others to provide services, including transportation for tourists and their baggage.

III. Development of a Multilateral Strategy

At the urging of the U.S. and like-minded partners, on December 2 the UN Security Council agreed by consensus to receive an informal UN Secretariat briefing on the situation in Burma. UN Under Secretary General for Political Affairs Ibrahim Gambari addressed the Council in informal consultations, with the participation of UN Secretary General Kofi Annan. Gambari characterized the situation as a looming humanitarian crisis, and others called it a threat to human security, citing the regimes human rights abuses, high malnutrition and primary school drop-out rates among children, the spread of HIV/AIDS, tuberculosis and malaria, and the regime's failure to address these problems. In comments to the press after the discussion, UN Secretary General Kofi Annan stated that the Security Council could "use its contacts with countries with influence to bring pressure to bear..."

Immediate U.S. policy objectives in Burma remained securing the release of Aung San Suu Kyi, U Tin Oo, Hkun Htun Oo, and all other political prisoners and encouraging a credible and inclusive political process that empowers the Burmese people to determine their future. The United States continued its efforts to encourage all countries with a major interest in Burma, particularly Burma's immediate neighbors China, India, and Thailand as well as other ASEAN members and Japan, to use their influence to convince Burma's leaders to take these steps, noting the effects of Burma's problems on the region as a whole. In December 2005, ASEAN broke with its public silence on Burma and issued a statement calling for the release of political prisoners and expedited democratization. Japan, Korea, India, Australia, and several European governments also made statements during the reporting period calling for the release of Aung San Suu Kyi and faster progress toward democratization. Privately, most countries in the region continued to express similar concerns, and agreed the SPDC must work with the democratic opposition in order to effect a smooth political transition.

The ILO has long been concerned with Burma's serious forced labor problem and its violation of its obligations under the ILO's Forced Labour Convention. The United States will continue to collaborate with the ILO and its members to support ILO efforts to curtail the use of forced labor in Burma, to assist victims, and to pressure the military regime to adhere to its international obligations on all labor issues. The ILO successfully petitioned ECOSOC to add the forced labor situation in Burma to its agenda.

The United States co-sponsored the annual human rights resolution on Burma at the 2005 UN General Assembly and the annual Burma resolution at the 2005 UN Commission on Human Rights, both of which were adopted by consensus. The UNGA resolution calls for the release of political prisoners and the initiation of a "genuinely inclusive" political process. Secretary Rice again designated Burma as a "Country of Particular Concern" in September 2005 for its particularly severe violations of religious freedom.

The United States maintained extensive sanctions on Burma. These measures include an arms embargo (already in place but also mandated by the 1998 International Religious Freedom Act), bans on new investment and imports, an asset freeze, and a prohibition on the export of financial services to Burma and the provision of financial assistance to the GOB. The Department of State maintained visa restrictions on SPDC members; government ministers and other senior Burmese Government officials; military officers above the rank of colonel; all officials of the Union Solidarity and Development Association (USDA); civil servants above the rank of Director General; and managers of state-owned enterprises. The visa restrictions covered the immediate family members for all the categories of individuals listed above. Sanctions under the Trafficking Victims Protection Act prohibit funding exchange visits to the United States by individuals affiliated with the Government, including public school teachers. No other country joined the United States in adopting bans on investment and imports, or a prohibition on the export of financial services. In April 2005, the EU renewed its sanctions, which include a ban on extending credit to a list of Burmese state-run enterprises and a more restrictive visa ban. The EU also called on its member states to vote against assistance to Burma by international financial institutions, though they were not required to do so.

U.S. sanctions will be maintained until there is significant progress toward a political transition and genuine respect for human rights or until a democratically elected government in Burma requests that they be lifted.

The junta's lack of cooperation with the international community set back efforts to fight infectious diseases and provide other humanitarian assistance, and is symbolic of its low regard for health and education issues. In 2004-2005, the USG provided \$4 million to address the growing HIV/AIDS epidemic in Burma by funding international non-governmental organizations to undertake prevention and care activities; no assistance is provided to the government through this program. In 2004-2005, the USG provided over \$100,000 to UNIAF and an international NGO to fund Anti-Trafficking in Persons programs in Burma. The USG also continues to promote more effective HIV/AIDS prevention, treatment, and care programs, including for pregnant mothers and high-risk groups.

Thus far, Burma has not reported any human cases of AI, but it remains at risk due to its close proximity to affected countries. In March 2006, the GOB reported Burma's first outbreak of AI among poultry at a commercial chicken farm near Mandalay. In order to fill an immediate need that could not be met by other donors, and in response

to a request for assistance by the UN's Food and Agricultural Organization, the U.S. offered protective clothing and disinfectant to the FAO for use inside Burma to help contain this outbreak.

During the reporting period, the GOB did not, for the second year in a row, cooperate with the U.S. on WWII remains recovery operations or on an annual joint opium yield study. However, the Burmese Government cooperated on counterterrorism issues, ratifying two additional UN conventions in 2004, and disseminating USG-provided information on designated terrorist organizations to banks. The GOB increased cooperation with China and some ASEAN members on narcotics issues and the reduction in poppy cultivation. Nonetheless, the production and trafficking of amphetamine-type stimulants in Burma increased substantially. The GOB has been unable or unwilling to curb the illicit activities of major drug traffickers. The United States therefore determined that Burma continued to fail demonstrably to provide adequate counternarcotics cooperation.

We will use FY06 funding appropriated by Congress to continue and develop programs in support of democracy and human rights inside Burma , as well as democracy, human rights, social, food assistance, health, educational, and governance-related programs outside Burma . None of these funds are disbursed to or through the Burmese Government.

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