BURMESE DIPLOMACY SINCE 1982 : PURSUIT TO END ISOLATION

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Certificate

Certified that the dissertation entitled Burmese Diplomacy Since 1982: Pursuit to End isoloation submitted by Ms.Abhilasha Bisht is in partial fulfillment of the requirement for the award of the degree of Master of Philosophy, and it has not been previously submitted for any other degree of this or any other university and is her work.

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CONTENTS

1.	Preface	1
2.	Burmese Isolation : Origins and Evolution	3
3.	Economic Imperatives for Change	16
4.	Repairing and Restoring International Ties	27
5.	Conclusion	39
6.	Bibliography	42

PREFACE

The present study focuses on the Burmese diplomacy directed towards ending the country's self-imposed isolation. Though Burma was one of the founding fathers of the Non Aligned Movement, it had never played an activist role. Beset by dozens of violent, ethnic secessionist insurgencies ever since independence the rulers were constrained to keep their gaze turned constantly inwards. The economic dislocation during the Second World War as well as the traumatic experience of exploitation suffered during the colonial period, prompted Burma to take only a marginal interest in events beyong its border. After the 1962 coup the ruling Junta it seems, reached the conclusion that keeping the country isolated from external influences was the best way to keep subversive contagion at bay and reduce dissidence. It adopted a policy of live and let live *vis-a-vis*, the rebels operating in remote regions and in difficult terrain.

All this is widely recognized, what aroused interest in the beginning of the decade of the 1980s was the sudden change of course, shift in policy by the regime in Rangoon. Scholars speculated that decades of isolation had led the nation to the brink of economic ruin. The Central government had failed to subdue the rebels and was desperate to cut off the sources of their foreign support, lines of supply and sanctuaries. It seemed that economic and strategic imperatives were coinciding to compel Burma to open its doors and windows at least a little. This process continued. till 1988 when simmering discontent exploded into a popular upheaval in favour democracy. The arrival of the charismatic Aung San Suu Kyi in Rangoon provided a dramatic focus for the dissenters. Ever since a sudden reversal in Burmese diplomacy is discernible.

The present dissertation undertakes a re-examination of this logical but simplistic hypothesis. What this scholar has sought to do is to attempt an examination of the reality of the Burmese isolation and then follow it up with a critical examination of the new diplomacy and finally, a quick review of the contemporary scene is taken to analyze the impact of the Burmese diplomatic strategy and interactions over the past decade.

The first chapter traces the origins and evolution of Burmese isolation. The next chapter seeks to correlate the economic imperatives for change. This is followed by the review of attempts which sought to change the direction of Burmese diplomacy. The conclusion strives to not only summarize, but also generalize. The approach adopted throughout is to combine narrative with speculative analyses. This is partly forced by the circumstances as years of isolation have resulted in a great paucity of reliable source material. However this is a handicap that all scholars studying Burma are exposed to, and one has to make do with what is available.

It is indeed a great pleasure to acknowledge the debt owed to various persons without whose help I would have found completing this dissertation daunting. First of all I would like to thank my supervisor Dr. Pushpesh Pant, for his valuable comments and suggestions. I would also like to thank the JNU librarian and the library staff for their assistance, generously and unflinchingly given.

My sister Aradhana and friend Angelie have been "pillars of support" and source of strength in my hour of dire need. They have shared some of the drudgery and cheered me up and flagged me on whenever the spirit was unwilling. The submission of this dissertation would bring great relief and rejoicing to them. All I can say is 'I am grateful and I shall remember.'

There should be no need to add that I alone am responsible for the analyses and conclusions.

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BURMESE ISOLATION : ORIGINS AND EVOLUTION

Myanmar, the second largest state in Southeast Asia, has an area of approximately 678,000 square kilometres. Most of the country lies in the tropical latitudes of the and is richly endowed with fertile land, plentiful rainfall, and a variety of natural resources. But large tracts are ravaged by wind erosion and denuded of topcover because of poor agricultural practices, and some regions are barely inhabited because of extreme malarial conditions.

Three outstanding geographic features have had a direct bearing on the political development of Burma. First the country has a predominance of north-south valleys, mountains, and rivers. The major lines of communications follow the contours of the land and Burma's chief cities and towns are located along a north-south axis in the interior rather than near the borders or the seacoast. Second the country divides naturally into two distinct areas-the plains and delta, and the mountains. The political and cultural heartland of historic Burma was located in the valley watered by the Irrawaddy and Chindwin rivers and protected on three sides by a semicircle of mountains. The delta plain to the south of this area is the political and economic center of modern Burma.

The 1947 constitution joined these two regions to form the political subdivision known as Burma proper, and the 1974 constitution divided the same area into nine states and divisions. Regardless of its political configuration, the area forms a natural region, and within it are located the seat of the national government and most of Burma's population, industry, and cities. The mountain areas, subdivided into five states, have little attraction for the plains people. Their population is relatively sparse and are in a more backward state of social and political development than the plains dwellers. And finally Burma always has been partially isolated from its neighbors. The mountains have provided a land barrier to merchants and would-be invaders. Although Burma has a long seacoast, it lies outside the monsoon routes, and seaborne traders did not come to the country in large numbers. Isolation contributed to Burma's inability to counter the rapid penetration of European traders and soldiers in the eighteenth and nineteenth centuries. Despite more than a century of contacts with the West through war, trade, and colonial rule, the sense of isolation and a desire to find solutions to local problems from within the Burmese tradition continue.

The physical separation of peoples within modern Burma has led to the differences between them in language, culture, and political awareness emphasizing the separate identity and aspirations.

Burma's mining potential is substantial. Before World War 11, the country was a major supplier of strategic metals and ores. The Mawchi mines in Kayah state, were known as the world's most important source of wolfram (an ore from which tungsten is extracted). Burma is also rich in gold. Gold has been panned in most rivers of northern Burma, but rock deposits are also believed to exist in a narrow zone from Pakokku, Monywa and Kawlin in Mandalay and Sagaing divisions.

All mining activity in Burma is controlled by the Ministry of Mines through its three mining enterprises, the first being responsible for lead, zinc, silver and copper; the second for tin, tungsten and gold; and the third for iron, steel, coal, nickel and industrial minerals. A separate Gems Enterprise is responsible for all precious and semi-precious gemstones and jade, while Pearl Enterprise controls the trade in pearls.

However, despite its many natural resources, Burma is an economically underdeveloped nation. A profile of its underdevelopment together with an examination of its society, political forces, and leadership will provide a useful background for understanding important aspects of its contemporary diplomatic exertions.¹

For details see: J.F. Cady, *History of Modern Burma*, (Cornell University Press, Ithaca, 1958); J. Furnivall, *Colonial Policy and Practice* (New York : New York University Press, 1956); W.C. Johnstone, *Burma's Foreign Policy: A Study in Neutralism* (Havard University Press, Cambridge, Mass, 1963).

The most useful system for classifying the peoples of Burma is by their origin as either indigenous or alien. Within the indigenous group, the major subgroups, identified along ethnic lines, are the Burmans, Arakanese, Karens, Shans, Mons, Kachins, and Chins.

The dominant religion throughout Burma is Theravada Buddhism, the same variant practiced in Ceylon, Thailand, Cambodia, and Laos. Buddhists in Burma have resisted almost all efforts to convert them to Christianity; only the non-Buddhist delta Karens among the plains people have accepted conversion.²

The British colonial rule transformed Burma's social organization and political and economic institutions and forced it from the backwater into the mainstream of world events. The introduction of "law and order" throughout Burma changed the system of local government and destroyed the traditional pattern of authority. The conversion of the country into a commercial granary and the world's largest rice exporter brought tenancy, moneylending, and land alienation. The introduction of Western concepts of government and politics and the efforts to prepare the people for self-rule through the gradual introduction of new institutions of popular participation created a new indigenous political elite who were divided over the protection of minorities at the expense of the dominant Burmans, plus large-scale immigration of Indians as laborers and financiers, gave rise to new social problems that exploded into violent communal riots during the 1930s.³

The war caused a radical change in the economy and in the society. Disruption of communications isolated large areas and produced widespread economic dislocation. Destruction of key military targets such as harbors, railway centers, and main roads forced the people to leave the urban areas and return to rural communities, where many remained after the war.

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^{2.} J. Silverstein, *Burma: Military Rule and the Politics of Stagnation* [Ithaca and London, Cornell Univ. Press, 1977].

^{3.} Furnivall, *Colonial Policy and Practice*.

In the spring of 1945 the Allies drove the Japanese out of the Irrawaddy valley and into the Shan hills and western Thailand and with them went the nominally independent government of Burma. At the end of the war in August 1945, the government in Burma was under the control of the British Military Administration. Its chief concern was to re-establish law and order and restore the normal living conditions.

The changes, Burma had undergone because of colonial rule together with the direct effects of World War II, stimulated the popular demand for Burma's independence in the postwar period. The Burmese launched a national movement to achieve this end. As a response to the movement, the British Prime Minister Clement Atlee announed in the Parliament in December 1946 that the British Government would invite the Burmese representatives to England to discuss the transfer of power.

Aung San consequently inaugurated the historic Constituent Assembly by presenting a seven-point resolution drawn up by the Anti-Fascist People's Freedom League (AFPFL). Among its major points were that Burma should be an independent sovereign republic called the Union of Burma; that all power should emanate from the people; that the constitution should guarantee social, economic, and political justice to all; and that the minorities must be granted safeguards. On July 19, 1947, during these deliberations, Aung San and six members of the Executive Council were assassinated. U Nu was called upon to successed Aung San. The British Parliament ratified the agreements transferring sovereignity to the Burmesee people in December. Burma became independent on January 4, 1948, choosing to remain out of the commonwealth.

During the first decade after independence, an enduring insurrection kept the country in a state of semi-war. Three important groups resorted to militancy in an attempt to gain their political objectives: The Communists (BCP), The Peoples Voluntary Organization (PVO) and the Karen National Defence Organisation (KNDO). Only the disunity among the various rebel forces and the leadership displayed by U Nu enabled the government to build the new national army and save the nascent nation.

The internal political chaos, however, continued unabated, and eventually U Nu was forced to turn to General Ne Win, Head of Army, to form a caretaker government to maintain law and order, and to establish conditions for free and fair elections.

With the formation at a new government headed by U Nu in April 1960 the army retired from politics. The return to civilian rule brought about a relaxation of security resulting in the resurfacing or seccionism. The governments intentions at making Buddishim the State religion tipped an already delicate situation. In a desperate bid to regain control U Nu convened a Federal Seminar in February 1962, to address the question at reestablishing harmony among the peoples of Burma. While the Seminar was still in session, in March General Ne Win and the army overthrew the constitutional government in a bloodless coup and seized complete control.⁴

Since then two major political forces have been at play in Burma : the military and the insurgents. Of the two, the military is cohesive and in control of the state while the insurgents are divided and control only the border areas in the north and east of Burma.

During the past thirty years, the military's role and authority have changed dramatically. Prior to independence, it participated in the nationalist movement, but after reorganization following the end of World War II, its leaders sought to create a purely professional army devoted to the defense of the state and protection of the people against insurgency. Leadership of the military is limited to a few men. Its leader and dominant figure in Burmese politics since independence has been General Ne Win.

A few, such as U Nu, went abroad and organized an insurgent force with the hope of toppling the military through their own armed strength and the hoped for support of their former followers. But their goal was not realized. Their former party organizations had been outlawed in 1964 and the membership and many of their subordinate leaders who were not imprisoned in 1962 had defected to the military's Burmese Socialist Political

4. Buttwell, *The Failure of U Nu's Second Premiership*, <u>Asian Survey</u> March 1962.

Party (BSPP); therefore any hope of reviving and reorganizing their following was almost impossible in the face of the military's hold on the populace.

The inability of the rebels to unite in common organizations and under unified leadership prevented their achieving any real success. Internal dissension within such groups as the BCP, is a major factor underlying its failure. While dissident groups pose a threat to the state, they have never realized their ambitions because the group in power, whether civilian or military, has been able to maintain the loyalty of a majority of the people while the rebels dissipate themselves, either in factional or intergroup disputes.⁵

The military government was faced with the same problems as the civilian government insurgency maintenance of national unity and economic decay. To control this situation. The military spelt out its ideology in two documents. 'The Burmese way to Socialism' and 'The System or Correlation of man and his Environment.⁶

The Revolutionary Council (RC) set up by the army neither replaced not suspended the 1947 constitution, but governed by decree and proclamation. It was only in 1971 following the First Congress of the Burma Socialist Programme Party (BSPP) that a more traditional records was adopted. However, the government remained firmly in the hands of a hands of a small circle of men who were responsible only to Ne Win. The First Congress of BSPP also assumed the responsibility of writing out a new Constitution which was enacted on January 3 1974, and the RC was abolished. Thus began the second phase of military rule.⁷

The problems faced by the government were not mitigated by this change of facade. In June 1974 there were strikes against food shortages and rising prices. The unrest spread to the labour force, with a large number of state concerns shutting down.⁸

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^{5.} P. Ady, Economic Bases of Unrest in Burma, Foreign Affairs, April, 1957.

^{6. &}lt;u>The Guardian.</u> Rangoon. April 5, 1962.

^{7. &}lt;u>Guardian Daily</u> March 3 1974.

^{8. &}lt;u>The Times.</u> (London), June 10, 1974.

The students too showed signs of returning to political action. Although they did not initiate or lead the protests and riots over food shortages and high prices in June 1974, they did participate. The government retaliated by closing the universities and sending them home for a period of time. In December, the university students took the lead in challenging the government's insensitivity and unwillingness to give U Thant, the former secretary general of the United Nations a fitting tribute and burial when his body was returned to Burma. This provoked a riot that lasted for several days; martial law was proclaimed, and the universities were once closed once again. In June 1975 there were student protests against the high cost of living and the continued incarceration of students arrested in earlier demonstrations. Despite strong government reaction to these demonstrations took place on the Rangoon campus that again led to the closing of the universities and the arrest of some demonstrators. The incidents suggested that the students were still a potential source of leadership and that the tradition of students in opposition had not been obliterated despite more than years of authoritarian rule.⁹

Throughout this period 1962-1977 the Burmese military followed the same basic non aligned foreign policy as its predecessors, ocassionally making some modifications. Believing that the nation had moved too close to the West, it sought to compensate by closing down information programs and education exchanges and ended aid from private foundations. At the same time, the military moved to enlarge Burma's contacts with the East European bloc in terms of trade and educational exchanges. The war in Vietnam saw Burma offer its territory as a neutral meeting place for the belligerents and refuse to be drawn into supporting either side despite strong external pressures.¹⁰

Despite the efforts of the Ne Win Government to "go it alone" in modernizing and industrializing the nation, it became apparent during the mid 1970s that outside help, especially from the West, was necessary. Burma quietly turned in that direction for

^{9.} D.I. Steinberg, *Burma's Road Towards Development: Growth and Ideology Under Military Rule.* (Boulder, Colorado, Westivew Press, 1981).

^{10. &}lt;u>Far Eastern Ecnomic Review</u> (Henceforth FEER), 1971 Year Book, p. 107.

economic and technical assistance and permitted the United States and other capitalist countries to form a Burma-Aid group to channel financial and technical assistance.¹¹ It also looked to the United States for help in fighting the growing narcotics problem that found its source in the Burma-Thailand-Laos border area, a difficult region to penetrate without helicopters and other modern means of transportation. All this was done while continuing to accept Chinese aid, cultural missions, and other friendly gestures so that a balance between East and West could continue. Burma also maintained correct diplomatic relations with the Soviet Union and trade with the East European bloc while not allowing itself to be drawn into the 1969 Soviet-proposed collective security pact or any other commitment that would compromise its independence of action.

In February 1978, various governments and institutions concerned with development assistance to Burma met in Paris under the chairmanship of the World Bank. Among those in attendance were representatives of Australia, Canada, France, West Germany, Japan, the United Kingdom, the United States, Finland, the Asian Development Bank, the Commission of the European Communities, OECD, the International Monetary Fund, and the United Nations Development Program.¹²

The Burmese delegation was headed by Tun Tin, Minister for Planning and Finance. In his initial report he set forth the government's main economic objectives, strategies, and plans as outlined in Burma's Five-Year Development Program (1977-1978 to 1981-1982). According to Tun Tin's analysis, the policies and measures taken by the government over the past several years had begun to show positive results; overall production and exports had expanded, the budgetary position improved, and inflation had subsided somewhat. The government would continue to increase the level of its investment, particularly in agriculture, forestry, mining, and transport; improve its pricing policies, thus generating greater production incentives; stimulate exports and liberalize imports; enhance the efficiency of its State Enterprises; and promote fiscal and monetary

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12. *Ibid.*

^{11. &}lt;u>The Guardian</u> (Rangoon), May 12, 1976; <u>FEER</u>, November 26, 1976.

stability. Furthermore, special measures were to be introduced for the purpose of enlarging the absorptive capacity of the public sector for new investments as well as support, both technical and financial, to cooperatives and private enterprises. The government, he argued needed external capital and technical assistance in its efforts to accelerate the country's economic development and was hopeful that the international community would respond positively to the program it had proposed.¹³

During 1979 Burma's foreign relations with its neighbouring states generally either remained relatively stable or, as in the case of Bangladesh, significantly improved. The temporary rift between Burma and Bangladesh, seemed caused by the massive exodus in 1978 of some 200,000 Rohingyea Muslims into Bangladesh, settled. The repatriation program, which was being supervised by the United Nations High Commission for Refugees, appeared to be going along quite well with between five and six thousand refugees returning to Burma every week. Relations between Burma and Bangladesh were further strengthened in 1979 with the signing of a boundary demarcation pact and continued discussions over border ground rules agreements and maritime boundary demarcations. Inimically the same year marked withdrawl into a shell.¹⁴

However, the most significant foreign policy issue of 1979 relating to Burma arose not in Southeast Asia but in Havana, Cuba. The principles of nonalignment had been an established pillar of Burma's foreign policy. As a founder-member of the international Non-Aligned Movement, Burma consistently supported efforts to sustain and improve the organization ever since the first conference was held in Belgrade in September 1961. However, since the Algiers (1973) and Colombo (1976) summits, the Burmese increasingly felt that the movement was altering its principles and taking sides in the Great Power conflict. In a provocative article, Pe Kin, a distinguished former member of the Burmese diplomatic corps addressed himself to the above concern:

^{13.} W.L. Scully and F.N. Trager, *Burma 1978 : The Thirtieth Year of Independence Asian Survey* Vol. 19(2) February 1979.

^{14.} Kamal Ud-din Ahmed, *Bangladesh Burma Relations: The Politico-Economic Dimensions* BIIS Journal 7(4) October '86.

"There were occasions when professedly nonaligned spoke more ill of the Western Bloc and I concede that there is substance in what *Time Magazine* (August 14, 1978) wrote: "For years the catchall international slogan of non-alignment often meant maligning the West and lining up with Moscow." But I think that it applied only to a few in the Movement... To a truly nonaligned country like Burma, criticisms of this nature seemed exaggerated, and in fact that untrue in respect of the Belgrade (1961), Cairo (1964), and even the Lusaka (1970) Summits. However..... the statements of some of the delegates at the Algiers (1972) and Colombo (1976) Summits were certainly anti-West. Fears were expressed even then if the Movement was taking sides but Burma as a founder-member clung to the hope that the Movement would be strong enough to maintain its true principles.¹⁵

In fact, at the Colombo Conference, when Cuba was selected to be the host for the Sixth Summit, Burma noted with concern the wave of apprehension that passed through the minds of several member countries. Nevertheless, Burma went to Havana, according to Foreign Minister U Myint Maung, in the hope that the principles could be "preserved and given new life." Burma was, however, "shocked and stunned" not only by the highly inflammatory statements but also by the undisguised maneuvering of some participants to gain their respective positions. In a statement to the Conference, the Foreign Minister observed:

"The trend of discussions and actions we have seen so far have, however, deeply disappointed us...... The principles of the movement are not recognizable anymore: they are not merely dim, but they are dying.... And it is not enough for the movement to exist just in name. There are among us those who wish to uphold the principles and preserve their own and the movement's integrity. But obviously there are also those who do not and

15. U Pe Kin, The Guardian (Rangoon), September 21, 1979.

deliberately destroy the movement to gain their own grand designs. We cannot allow ourselves to be so exploited."¹⁶

The Burmese delegation then put forward a motion that the movement be dissolved with a resolve to begin a new. To this end, it was suggested that a committee of members be appointed to draft a new character and to define with clarity the inviolable principles to which the movement should be dedicated.¹⁷

Seeing that the Conference would reach no decision in this regard, the Burmese delegation withdrew from the Summit and Burma formally ended its participation in the movement. As a founder-member, Burma had no wish to see a movement "so idealistically launched to become an instrument that favored any particular bloc, and an instrument that would bring tension once more into this world." An editorial in The Guardian expressed the same sentiments when it stated :

"Burma does not favour the systems of blocs as such and does not wish to place itself in a position where politically speaking it is just lined up with a particular group or bound to it in regard to its future activities in the field of foreign affairs."¹⁸

The direction that Burma would now take in its foreign affairs was outlined in the State of the Nation report issued during the fourth session of the People's Assembly in Rangoon, (September 1979). Among other things the report stated that Burma would "continue to practice (its) independent and active foreign policy, to cultivate existing friendly relations with all countries, and to remain pledged to the United Nations Charter and to the universal principles of peace and mutual respect."¹⁹

- 18. The <u>Guardian.</u> September 12, 1979.
- 19. *Ibid.*

^{16.} Quoted in W.L. Scully and F.N. Trager, *Burma 1979 : Reversing the Trend, <u>Asian Survey</u> Vol 20(2) February 1980.*

^{17.} K.P. Mishra, India's Burma Policy, Strategic Analysis 12(10) 3, February 1981.

China, which has always figured largely in Burma's foreign policy, sent Foreign Minister Huang Hua to Rangoon on November 28, 1979. Full of praise for Burma's earlier withdrawal from the Russian-dominated nonaligned movement, he declared that "it is our sacred task to safeguard, consolidate and develop the friendly ties between the two countries and the peoples of China and Burma."20 Ne Win returned the visit in October 1980. The question of people-to-people relations troubled the Burma government a great deal. Given the fact that the government had just launched a major military campaign against the China-leaning BCP and the Chinese were giving public, moral and other support to the latter, it was clear that Burma at this point of time, was not eager to move too close to the Chinese. On Kampuchea, for instance, Burma denounced the Vietnamese invasion, and in 1979 supported the seating of the Pol Pot representative at the United Nations. It was not happy about the Chinese "lesson" administered to Vietnam and the Burmese were concerned about China's continued military support to the Khmer Rouge through Thailand; they were also concerned about Chinese pressure on Thailand to maintain a hard stance against the Vietnamese. With a government to its east and its own and neighbour communist parties either sympathetic or loyal to China, Burma found it difficult to maintain an independent and nonaligned stance.²¹

But the alternative — a Russian dominated Southeast Asia — also was also not acceptable to Rangoon. As the Indian government drew closer to the Soviet position in Kampuchea in 1980 and did not protest the Russian invasion of Afghanistan, the Burmese signaled their disquiet by closing the Indian Consulate in Mandalay.²²

Pressure from a third source was exerted through the visits of political leaders from Thailand and Singapore to Burma, and both reported good discussions on ASEAN, its position toward Kampuchea, and other problems. Both left with the feeling that Burma would follow ASEAN's lead at the forthcoming United Nation's session on the seating of a Kampuchean delegation.

^{20. &}lt;u>The Asia Almanac.</u> 1979 (December 1979) p. 9794.

^{21.} J. Silversterin, *Military in Foreign Policy in Burma & Indonesia*, <u>Asian Survey</u> Vol. 22(3) March 1982.

^{22.} K.P. Mishra India's Burma Policy, Strategic Analysis 12(10) January 1983.

The climax to all of these maneuverings came at the UN on October 13, when the Burmese representative was absent during the vote on the seating of a Kampuchean representative. Thus Burma avoided giving public support for the ASEAN and China position and at the same time did not back the stance of Vietnam and the Soviet Union. In their own way, the Burmese demonstrated their nonaligned position; yet their gesture seems an enigma about which all sides found reasons to argue that while the Burmese were not exactly with them, neither were they against them.

Of more importance to the Burmese was discussion of their common land border and the growing disputes on their sea frontier. The meetings with the Thai culmnated in a treaty between the two regarding their disputed maritime boundaries in the area of the Andaman Sea, where in the past Thai fishermen intruded into the economic zone claimed by the Burmese.²³ Also Burma agreed to allow Thai commercial aircraft to overfly its territory on a new route between Bangkok and Hong Kong via Kunming, China. Using this route Thailand could counter Vietnam's restriction on Thai commercial aircraft overflying Vietnamese territory.

High officials from the Soviet Union and Vietnam also made one day visits to Burma. While the Burmese were correct and cordial they did not use the visits to announce or hint any change in policy. The Burmese found a subtle way to send an important signal to Moscow when they announced that they would not compete in the 1980 Olympics. They made clear that this was not in response to the U.S. appeal, but because they lacked world-class athletes.

By now the withdrawl from the world without was complete and its 'self imposed' isolation appeared to be the preferred diplomatic strategy of the Burmese ruling elite.

23. <u>FEER</u> August 1, 1980, p. 11.

ECONOMIC IMPERATIVES FOR CHANGE

Poor economic performance, ethnic strife, blackmarketeering, and armed insurgency have plagued Burma since 1962. Continuity rather than change has been characteristic of Burma for the past thirty years. Almost three decades after the Ne Win's military government produced its seminal economic plan, The Burmese Way to Socialism, a sound economy proved even more elusive than it was in April 1962. The performance statistics, often of questionable reliability, have indicated a continuing downhill slide in almost all sectors of the economy, relieved only by the relatively prosperous years of 1977-78 and 1982-83.

Burma was barely able to feed, clothe and shelter its 35 million people. Domestic petroleum production filled local needs, and the profits from rice, mineral and teak exports serviced Burma's \$1.8 billion debt. In the mid 1980s, however, Burma's economy took a sharp turn for the worse While world prices for Burma's principal export of rice, teak, and minerals remained low, the rice crop was a poor one. Burma's export earnings dropped by more than 10%. Imports remained substantially below the 1982 level, and Burmese foreign exchange reserves fell to a new low of about \$50 million. The ratio of foreign debt service payment to exports rose to 45%, well beyond the traditionally accepted danger mark¹. Pressure to find new ways to pay off the country's debt mounted. Reclusive Burma was faced with a painful choice: to either ease its closed-door policies, or suffer growing economic woes.

The government countered the economic situation by allowing a black market to flourish. This "shadow economy" provided jobs, supplied Burmese citizens with everything from electronic watches and blue jeans to medicine and oil and accounted for an estimated \$200 million in business annually².

^{1. &}lt;u>FEER.</u> September 2, 1984

^{2. &}lt;u>News Week</u>, August 27, 1984.

Though black market was an effective safety value it could not solve Burma's domestic problems. Beyond oil shortages and debt servicing troubles, Burma needed to develop basic service systems. If the Burmese were to open their doors to outside technical assistance, it would mean that Burma would have to sacrifice its time-honored faith in its own ability to take care of itself. But that was be the price the country would have to pay for progress.

Burma's socialist government began seeking foreign partners after huge natural-gas deposits were discovered in the Gulf of Martaban, to help with an ambitious \$ 1 billion energy-development plan. Many analysts interpreted the fund raising as a first step toward encouraging outside financial and technical investment; they said that Burma could attempt the project on development funds alone since that would increase its \$ 1.8 billion debt by more than half³.

The potential for rapidly increasing Burma's export earnings appeared small while demands for imports and consumption-caused by population growth and the requirements of more modern agriculture and industry continued to grow. Burma still did not permit foreign investment in these areas, there were indications that it was looking more seriously at possible escapes from its economic dilemma. A joint venture agreement, was signed with a West German firm (Myanma-Fritz Werner) with which Burma had long had close relations, and the Party Congress endorsed "mutually beneficial cooperation" for "limited duration" with foreign entities. Burma also inquired about the potential of exporting labour, and increasingly concentrated on export-linked development projects. Without major structural changes, however, it seemed doubtful whether the efforts could wholly overcome the effects of declining external demand and increasing domestic requirements.⁴

^{3.} Rangoon held only the preliminary talks with the World Bank staff to determine if development of the natural-gas deposits was even worth considering. World Bank officials said that if a decision is made to proceed with expensive feasibility studies, the surveys would take at least three years to complete. <u>News Week.</u> August 29, 1984.

^{4.} C. Mac Dougll, and J.A. Wiant, *Burma in 1985, Consolidation: Triumphs over Innovation,* <u>Asian Survey</u> 26(2) February 1986.

Although the government announced during the second session of the Pyithu Hluttaw (People's Assembly) in March 1986 that Burma had achieved an annual growth rate of 5.5% during the four-year plan ending March 31, the skepticism of some observers was reinforced by the simultaneous announcement that for the new four-year development plan beginning in April the target would be reduced to 4.5%. The external evidence supported such skepticism. In October the government admitted that Burma's export-earnings target of US\$555 million for 1985-1986 had fallen short by \$230 million and that 1986-1987 export earnings of \$148.5 million, seven months into the fiscal year, was far short of the target of \$535 million⁵.

By the 1986 standards Burma's international debt was modest. However, the debt continued to grow as export performance lagged considerably behind the country's need for imported goods and services. The actual size of the external debt was not made public by the government, but it was estimated between US\$1.8 to US\$3 billion. Correspondingly, the debt service ratio was estimated to range from 50% to 60%. Whatever the exact figures, the trend showed that both the external debt and the debt service ratio rose steadily during the fourth four-year plan. Although Burmese officials adamantly denied it, there was a possibility that rescheduling of payments might have been necessary⁶.

Governmental development projects suffered a hard currency became increasingly scarce. The ambitious scheme to develop Burma's liquid natural gas potential was abandoned, and the government decided to concentrate on onshore petroleum development rather than investing more funds in their more expensive offshore resources.⁷ The continued poor performance on the world market of petroleum, petroleum

^{5.} Foreign Broadcast Information Service, Daily Report, Asia and Pacific (hereafter FBIS, DR/ AP), October 16, 1986, p. 63.

^{6.} The Burmese economy remained beset by a host of problems. The official figure for inflation during the 1985, 5%, in no way reflected the actual rise felt by consumers who made purchases on the black market. For these consumers, and they represented both the rich and the poor, real inflation was probably twice or three times the official government figure. <u>The Nation</u> (Bangkok) March 12, 1986, p. 19. in the *Joint Publications Research Service, Southeast Asia Report* (hereafter JPRS, SEA), April 9, 1986, p. 1.

^{7. &}lt;u>Business Times</u> (Kuala Lampur) May 27, 1986, p.9 in *JPRS, SEA, June 23, 1986, p. 3.*

derivatives, and petroleum-based products contributed to both these decisions. The world petroleum glut and the resultant soft international market dashed earlier optimism about growing export earnings. In fact, declining oil revenues, over which the government had no control, and the disappointing performance of the agricultural sector, for which the Burmese government had to accept primary responsibility, combined to cause officially reported export earnings to reach only 58% of the government's target.

The demonetization of the *kyat* undertaken at the close of 1985 was intended to strip black marketeers and drug-runners of their profits, and this seems to have had some effect. However, after an initial dip the black market regained its momentum. Exchange of old notes for the new currency was done in stages, the intent being to compensate the small and legitimate holder of *kyat* notes quickly and in full (actually at 75% of the value of the original *kyat*), while the larger holders were to be investigated before being allowed to exchange.⁶

The worsening economic situation, highlighted by petroleum shortages, reduced export revenues, and difficulties in rice distribution, prompted potentially significant economic policy changes many implying radical diplomatic departures.⁹ The government continued a slow but perceptible process of increased international activism.

A second currency demonetization was undertaken in less than two years. This caused serious hardship and despair, which triggered off the first violent student demonstration. Sizeable demonstrations look place in Rangoon and Mandalay, with lesser ones in other Burmese cities. Closure of all schools and universities and colleges, however, defused the situation.

^{8.} J.B. Haseman, Burma in 1987: Change in the Air, Asian Survey, Vol. 28(2) Feb. 1988.

^{9.} In a speech made in August 1987, by the BSPP Chairman Ne Win, called for changes in economic outlook and criticizing advisors and cabinet officers, tacitly admitting that some government policies had failed. Ne Win announced new measures that lifted government controls from most aspects of production, transportation, and the distribution of rice and other staple crops. (*Ibid*).

Demonetization did not bring in the expected reduction in inflation, and within weeks the prices resumed their old levels and continued an inexorable increase at an estimated real inflation rate of over 20% annually. The black market too continued to thrive. The debt service burden had increased from 60% to close to 70% of export earnings. Consequently Burma had to request the UNO for re-designation as a Least Developed nation. While an embarrassing blow to its international prestige, the designation helped ease the foreign debt situation by converting some loans to outright grants.¹⁰

The international recognition of indigence, highlighted and added to the growing popular resentment, especially among the students, of the government's gross mis-management. A trivial incident sparked off the students' riots of March 1988. The authorities sent in riot policemen armed with clubs and soldiers armed with gun, to suppress the rioters ruthlessly. Estimates of the number of deaths ranged from ten to 28; many more than that were injured, and at least 500, perhaps as many as, 1,500, were jailed.¹¹

By 19 March, the week-long unrest were quelled. The Burmese capital remained tense. Unlike the brief and isolated revolt in the aftermath of the demonetisation in September, 1987 when the students unsuccessfully sought the support of Rangoon townspeople, a column of about 300 students marching down the main Sule Pagoda Street was this time was joined by thousands of ordinary citizens.¹²

As much as the scale of the protests might have been unexpected, the broader prospect of potential urban un-rest was apparently something the authorities have been quietly preparing for.¹³

^{10.} *Ibid.*

^{11. &}lt;u>The Economist.</u> March 26, 1988.

^{12.} FEER, April 21, 1988.

^{13.} Indicated by the July 1987 commissioning of an elite army unit - the 22nd Light Infantry Division - which among other things is responsible for central security. <u>FEER.</u> July 21 1988, Moksha Yith *Crisis in Burma*, <u>Asian Survey</u> Vol. 29(6) June 1989.

In a statement, published on the front pages of Burma's government controlled newspapers on 8 July, the government announced that students and others who had been detained during riots in March and June were to be released. The next day, the dusk-to-dawn curfew that had been clamped on Rangoon, Pegu and Moulmein-and which was supposed to be in effect until 19 August-was lifted. Students who had been expelled were told that they could apply for re-admission.¹⁴

These unprecedented concessions to public pressure underscored how seriously the authorities viewed the situation and their desire to find a quick solution to the crisis. Rangoon however remained poised at the brink of a fresh wave of protests. Sensing the popular rescentment the authorities imposed shoot-to-kill orders, and on the 3rd August imposed martial law. Mass arrest of dissidents was ordered two days later. This failed the students away from the streets or calling for the resignation of Burma's 'new' and leader Sein Lwin.

On 8 August, tens of thousands of demonstrators, cheered on by thousands of bystanders, marched through Rangoon chanting, "democracy and human rights - that means no Sein Lwin." In Mandalay and Mergui, when demonstrators refused to disperse. troops opened fire, killing five and wounding 55, according to official accounts. Another 1,450 were arrested. Independent observers put the figures far higher than that.¹⁵

TH- 4384

Then on 9 August when, 5,000 demonstrators attacked a police station in the northern town of Sagaing, 31 protesters were killed and another 37 wounded. The violence and mass unrest continued unabated and General Sein Lwin was constrained to resign only 18 days after assuming office as the president and ruling party chairman.¹⁶

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^{14.} Ibid.

^{15.} Rangoon in two months, suffered more killed and wounded that had all the insurgent groups in two year. Jame T. Guyot and J. Badgely *Myanmar in 1989 : Tatmadaw V. Asian Survey*. Vol. 30(2) February 1990.

^{16. &}lt;u>The Economist.</u> August 27, 1988.

The new leader, Maung Maung, duly took note of the critical situation and announced the end of martial law and of the curfew in Rangoon. The soldiers withdrew from the streets. Maung Maung also broad-cast a statement which, although confusing, seemed to say that he intended to make way for democracy.

He announced that on September 12th the ruling Burma Socialist Programme party would meet to discuss a proposed referendum on the introduction of a multi-party system. After that, he said, he envisaged an election which many top party members would not be allowed to contest. Burma's leading voice of dissent, Brigadier-General Aung Gyi, was freed along with nine other critics of the regime.

More than 300,000 demonstrators took to the streets, clapping and cheering in the belief that Burma was on the verge of a return to democracy after enduring a quarter of a century of one-party pseudo-socialist rule and an ever-worsening economy.¹⁷ There was a general collapse of administration. Buddhist monks took the lead in Monywa and helped keep order in Gyobingauk. The marchers were mostly peaceful, but their numbers shork the government forces.

On 29th August, a League for Democracy and Peace was formed, headed by the 81-yearold U Nu, who was prime minister before General Ne Win seized power in 1962. The 'emerging leaders had warned of a military coup, and on September 18th, General Saw Maung, seized power in a military coup, ousting Maung Maung, who had taken over from General Sein Lwin, on August 19th.

General Saw Maung cracked down hard, claiming anarchy was threatening the nation. The State Law and Order Restoration Council (SLORC), which was set up by Saw Maungwhen he assumed power, ordered striking civil servants and labourers back to work on 3 October¹⁸. The leader of the largest opposition group, the NLD was detained for alleged subversive activities on July 10, 1989 and remains under House arrest even now.

^{17. &}lt;u>FEER.</u> October 6, 1988.

^{18. &}lt;u>The Economist: The Bangkok Post:</u> etc... June, 1990.

One of the tasks SLORC set itself during 1989 was to prepare the nation for multiparty elections, to be held in May, 1990 But contrary to the expectation of the ruling military junta it was forced to concede on June 10th 1990, that National League for Democracy, the main opposition party, had won a clear majority in the general election held on 27th May, when it secured 392 seats in the new 492-seat People's Assembly.¹⁹

Despite the massive mandate political dissidents were routinely imprisoned and tortured. During January and February 1991, as many as 500,000 Burmese were forcibly expelled from their homes and relocated in new areas. Supporters of the NLD have been made-targets of these relocation programmes. Despite the award of the 1991 Nobel Peace Prize to Burmese pro-Democracy leader Aung San Suu Kyi, Burma's military rulers made prodigious efforts, banning foreign journalists and even changing the country's official name to Myanmar to confuse world opinion.

The country continued to be racked by tension contained to towns. Large red billboards proclaim the unity of the people and the Burmese army and their determination to crush all opposition. But the army has been unable to silence the whispering campaign and simmering discontent.²⁰

With foreign aid cut off as a result of international condemnation of the mass killings which followed the coup, new approaches became crucial for the survival of the military regime. It is against this background that the new economic policies took shape.²¹

^{19. &}lt;u>The Guardian.</u> July 26, 1992.

^{20. &}lt;u>FEER.</u> December 14, 1989

^{21.} The government's new liberal foreign investment law, issued on 30 November 1988. And the additional list of procedures relating to the law was issued on 7 December 1988; stipulated, among other things, that foreign currency must be transferred through the Myanmar Foreign Trade Bank, an institution not renowned for in speed and efficiency. Foreign investors to form either wholly owned enterprises or joint ventures in which the foreign partner must have at least 35% participation. Investors are promised a three-year tax holiday, and profits reinvested in the enterprise within one year are tax-exempt. Capital equipment and inputs can also be imported free of duties, and there are guarantees that profits can be repatriated. *Ibid.*

In an obvious attempt to break its international isolation and attract badly needed foreign exchange, the military government announced that it was renouncing the rigid economic policies of the past 26 years and inviting foreign investment. In a statement issued on 31 October, Trade Minister Col Abel said his government had abrogated several old laws which had prohibited import and export outside of the control of the state. "A market-oriented economy will be practiced," Abel said, "Limited companies and joint ventures between local and foreign private firms or with foreign governments will be premitted."²²

The expectation of any dramatic breakthrough were soon belied. The new investment laws enacted by the SLORC did not open the flood-gets of foreign money. The representative of the IMF, the World Bank, the Asian Development Bank and Japan, formerly Burma's largest aid donor, made it clear during visits to Burma in late October that they remained unimpressed. SLORC therefore began selling off Burma's vast natural resources to neighbouring countries, and this is where much of the new "investment" came from.

The first to respond were the Thais, who secured 22 logging concessions inside Burma worth more than US\$100 million²³. Eight different companies from Thailand, Malaysia, Singapore and Hongkong were awarded fishing licenses totalling US\$17.7 million. The annual Gems, Jade and Pearl Emporium held in Rangoon in March raised US\$11.28 million of foreign exchange. By June, after a few more similar deals had been struck.²⁴ Burma's foreign-exchange reserves had risen to US\$150 million.

^{22. &}lt;u>FEER.</u> December, 17 1988.

^{23.} Six Thai companies, secured logging rights to 4.7 million tonnes of logs. The concessions will run for three years, with each company required to fell at least 50,000 tonnes of logs a year. <u>FEER</u>, December 14, 1989.

^{24.} Bangkok-based Thip Tham Thong has signed a contract to barter US410 million of used cars and machinery in exchange for Burmese gems, jade and pearls, and a Japanese company, Taiyo Gyogyo, has contracted to fish for shrimp in Burmese waters on a trial basis. On August, 19, a deal was signed between the Burmese Government and SKS Marketing Ltd, a small Singaporean company Daewoo of South Korea began selling imported consumer goods in Rangoon on 26 July. On 27 August, Burmal Holdings of Malaysia set up a retail and wholesale joint venture. Another Singaporean company, Woodwork and Construction Pte Ltd, signed a joint venture deal on 23 September. On 12 October, an

The SLORC its seems was still expecting oil revenues from foreign onshore exploration contracts to rescue the state from the financial abyss. Breakthrough came in October and November when Burmese Government announced production-sharing contracts with a number of foreign oil companies.²⁵

While some endeavors were genuinely required, others were merely exploitative of Burma's resources, providing short-term profits to the foreign investor and immediate foreign exchange to the leadership.

The Foreign Investment Commission previously had restricted foreign participation in the mining sector to exploration, production and marketing of non-metallic minerals such as coal, limestone, and gypsum as well as marble quarrying and production and marketing of marble blocks and slabs. However, with the change in laws, foreign investment started coming in. Some of Burma's neighbours entered its mining sector.

Thai zinc smelter Padaeng Industry reached an agreement in October 1989 with the Burmese Government to explore for and produce zinc in Burma. The company was also awarded the right to mine for tin in the Mergui archipelago off the Tenasserim coast. In February, the Thai Gem and Jewellery Traders Association had signed an agreement to mine gems in Burma.²⁶ Three goldmining projects were offered to foreign companies near the northern city of Mandalay and close to Pyinmana in Mandalay division. Burmese authorities also began developing diamond mines near Mergui in Tenasserim division.

Austrian company, IAEG, signed an agreement to build five-star hotels in Rangoon, Mandalay and Pagan. In addition, Daewoo recently signed an other agreement with the Burmese authorities for the sale of railway equipment to Burma. The two ventures that best symbolize Myanmar's break with its isolationist past are agreements with Coca Cola for production and marketing, and with an Austrian firm to build three "five star" hotels valued at \$110 million for the tourist industry in Yangon, Mandalay, and Pagan, an unprecedented scale of foreign investment. One benefit of these 1989 deals with.

^{25.} Yukong of South Korea, Idemitsu of Japan, Amoco and Unocal of the US, Petro-Canada, Britain's Croft Exploration and Dutch Shell. <u>FEER</u> August 8, 1991.

^{26.} Nearly all jade deposits are located near Hpakan, an area controlled by ethnic rebels in Kachin state. Moreover, the country's vast antimony deposits are controlled by Karen rebels near Three Pagodas Pass, southeast of Moulmein, and all antimony is smuggled into Thailand. <u>FEER</u>, April 26, 1990.

Mines near Mogok in Northern Mandalay division produce some of the world's highestquality rubies and sapphires, most of which are smuggled into Thailand.²⁷

Myanmar's economic liberalization and openings to the indigenous and foreign private sectors-mandated at the penultimate hour of the Burma Socialist Programme Party, but implemented under the SLORC-were welcome developments in a state where economic and bureaucratic ineptitude had led to decline. However, there was vast gap between the conception and the execution. Little if any of the foreign exchange raised by the new policies has been used for badly needed industrial and economic development. Instead, SLORC spent most of it on imported arms and ammunition. In order to both finance increase military spending and to enrich the officer corps, the regime has despoiled natural and human resources. In the name of opening up it permitted the wholesale cutting of thousands of square miles of ancient forests of teak. At this rate Burma's vast teak forests - containing 80 per cent of the world's teak - will be destroyed in a few years. The regime participates in and profits from the growth and processing of opium and its export as heroin to the outside world. It also countenances the sale into forced prostitution in Thailand of tens of thousands of Burmese juveniles.²⁸ The so called economic imperatives' for the diplomacy of ending isolation soon sounded hollow excuses repeated ritualistically by a regime only interested in enriching and further entrenching itself.

27. *Ibid*..

28. <u>The Economist.</u> January 23, 1993.

Repairing and Restoring International Ties

Burma opened its doors just a little in the beginning of the 1980s to have glimps the view the world outside. An important question on the horizon was the extent to which Burma's leadership would expand its ties with other countries.

The first revelation of Singapore's involvement was made on 14 September by the Swedish daily newspaper Svenska Dagbladet. The newspaper, quoting Burmese military sources, reported that Singapore Government-controlled Chartered Industries had violated an agreement with the Swedish arms manufacturer Forenade Fabriksverken (FFV) by re-exporting to Burma 84-mm Carl Gustaf rockets.

In 1982, FFV secured permission from the Swedish Government to export Carl Gustaf rocket launchers to Burma. The deal was exposed in the Scandinavian press at the time and after receiving about 500 launchers and some rockets, all export of Swedish munitions to Burma ceased (FEER September 8, 1983). Sweden's strict export laws stipulate, among other things, that it cannot sell war material to countries where there is a civil war, or whose government violates the UN charter on human rights.

But in 1983, FFV made a secret agreement with Chartered Industries according to which Carl Gustaf rockets could be produced under licence in Singapore. The secret deal was approved by the Swedish Government, on condition that the rockets would not be reexported to other countries without prior approval from Stockholm.

However, several shipments of 84-mm rockets were sent from Singapore to Burma without any such approval.

Bangkok-based Singapore diplomats could not confirm or deny the alleged shipments and stated, "We are like France or China". Other diplomatic sources said they were aware of shipments of arms and ammunition from Singapore to Burma, though the exact details were not known. Given Burma's lack of foreign exchange, several sources suggested a barter deal or use of former leader Ne Win's private funds.²

The Burmese Army was remarkably successful in gaining tactical advances on several fronts. Beginning with the successful blunting of the November 1986 attack by the BCP at Mu Se, the armed forces demonstrated a high level of staying power. Not only did the army defeat the BCP offensive, it succeeded in regaining control of a wide area of northern Shan State that had been under BCP control for many years. Regaining control of much of the border with China also increased commerce with the PRC. Insurgent interdiction of the Burma Road from Mandalay to Mu Se decreased; and while military and government vehicles travelled in convoy, private trucks and buses began to travel freely with only occasional stops by insurgents collecting "taxes."³

The army's operations in Kachin State too were successful. Between May and September the Burmese Army seized the Kachin Independence Army (KIA) and Kachin Independence Organization (KIO) military and civil centers at Pajao and Nahpaw as well as the commercial center of Lweje. A series of battles resulted in the capture of all KIA bases along the southern portion of the Burma-China border. The forty-year struggle with the Karen National Union (KNU) also gained ground.

However, military operations were over-shadowed by political developments within the insurgent National Democratic Front (NDF), in which the long-time KNU leader, General Bo Mya, was replaced as NDF leader by Saw Man Reh, a Karenni. (The NDF is the umbrella organization for nine rebel groups). Bo Mya's refusal to deal with narcotics traffickers in the Shan and Kachin insurgent movements deprived the NDF of lucrative

^{2.} Burma's total imports from Singapore amounted to S\$99.1 million (US\$ 49.5 million) in 1987 and S\$79 million from January-June 1988. Singapore statistics for exports to Burma showed a breakdown of S\$38.5 million for machinery and transport in 1987, and, in January-June 1988, S\$20 million. Military supplies were not mentioned specifically, but they formed a substantial part of the "machinery". <u>FEER</u>, November 3, 1988.

^{3.} J.B. Haseman, Burma in 1987 : Change in the Air, Asian Survey, February 1988.

revenues and clashed with the practical realities of reduced income from taxing black market goods moving through KNU-controlled areas. The new NDF leadership was to explore ways of cooperating with the Shan warlords and even the BCP in order to share in much-needed profits from the narcotics trade.⁴

Burma's international contacts expanded in 1985 and there was a fairly steady stream of official exchanges. Visitors to Burma included the presidents of China and Pakistan, the prime minister of Romania, the foreign ministers of Indonesia and Korea, and a variety of lesser officials. Thai Supreme Commander General Arthit Kamlang-Ek, was received personally by Chairman Ne-Win. Ne Win also received former U.S. President Nixon when he visited in September.⁵

Ne Win's visit to China was important not for substance but because it constituted recognition by China of the legitimacy of the Burma Socialist Programme Party. The continuing warming of Sino-Burmese relations was indicated by the activity throughout 1985 of the Burma-China Joint Boundary Commission, as well as by the visit of Chinese President Li Xiannian, and returning President San Yu's 1984 trip, and by ministerial and other exchanges in both directions. Ne Win visited West Germany in January-February, and again, for a successful abdominal operation, in June-July.⁶

In 1986 significant progress was made in efforts to lower tensions on the Yunnan-Burma border. The governor of Yunnan province visited Rangoon in March; in early June the Yunnan provincial public security department announced that it was designating some countries and cities bordering Burma as "border trade areas" and was making it "convenient for people on both sides of the border to trade with each other.⁷ On 24th June 1986 a PRC delegation in Rangoon signed a draft protocol for the first joint

^{4.} Ibid.

^{5.} Mac Dougall & Wiant, *Burma in 1985 : Consolidation Triumphs over Innovation*, <u>Asian</u> <u>Survey</u>, February 1986.

^{6.} *Ibid.*

^{7.} FBIS, DR/AP, July 2, 1986.

inspection of the Burma-China border; and on November 7 the protocol became binding when it was signed by a Burmese delegation to Beijing.⁸

In addition, Prime Minister Maung Maung Kha led a delegation to Beijing in April 1986. Improved relations with the PRC did not mean the demise of the clandestine VOPB. The new face of the BCP attributed in part to its loss of support in Beijing as state-to-state relations between Burma and China improved.

In the context of a shortage of consumer goods and the presence of dissident national groups-the porous borders with Thailand have served as rebel outposts for some of the BSPP's most militant adversaries. Thai Foreign Minister Siddhi Savetsila told a university audience in mid-February 1986 that Thailand and Burma must "forget the past and look ahead for closer cooperation," that Thailand does not support the rebels operating on the border, and that the Thai government would "try its best" to stop smuggling, particularly the traffic in contraband arms destined for the rebel groups.⁹ Later Air Chief Marshal Siddhi visited Rangoon, where Ne Win told him that Burma and Thailand should "leave the past alone" and "begin a new era of close relationship."¹⁰ At the end of March 1986 the working visit of the foreign minister was followed by a ceremonial visit to Rangoon by a member of the royal family, Princess Maha Chakkri Sirinthon.

Other significant visitors to Rangoon included the prime minister of Singapore, Lee Kuan Yew, and a large party of Singapore's leaders in January; U.S. Attorney General Edwin Meese, whose visit in March-during which he was taken into areas in the Shan¹¹ Statewas connected with efforts to stem the drug traffic from the Golden Triangle. The British secretary of state for defense came in November.

Burmese officials continued to expand international contacts during 1987. Ne Win made

^{8.} *Ibid*, November 14, 1986.

^{9. &}lt;u>The Nation.</u> February 14, 1986.

^{10.} *Ibid*, March 3, 1986.

^{11.} *FBIS*, *DR/AP*, April 1986.

personal visits to the United States, the Federal Republic of Germany (FRG), and elsewhere early in the year. President and BSPP Vice-Chairman San Yu made state visits to Yugoslavia, Rumania, and the FRG. Government ministers visited a number of countries, including China and the United States. Minister of Defense Thura Kyaw Htin and Armed Forces Chief of Staff General Saw Maung made visits to Indonesia, Malaysia, and Thailand. The Thai trip, reciprocating Army Commander-in-Chief General Chaovalit's visit to Burma in 1985 was particularly helpful in forging new understanding on matters involving the very active Thai-Burma border.

Burma continued to view its relationship with China as its single most important bilateral tie. Chinese engineers continued construction of the country's longest bridge across the Pegu River at Rangoon, and planned conducting a technical survey of Burma's onshore oil fields with the aim of increasing production. A steady stream of goodwill visits by youth, cultural, and sports teams between the two countries emphasizes the importance of the tie.

The military government which seized power in Rangoon on 18 September, 1988 declared a "Union of Burma", dropping the words, "Socialist Republic" from the country's name, a technical change of statehood which required formal recognition under the diplomatic rules of several Western countries. Most of Myanmar's ambassadors in the developed nations were withdrawn or resigned after the coup, and the Foreign Ministry, like all other ministries except Health and Education, was entrusted to a senior Tatmadaw officer. International recognition eludes the increasingly isolated regime.

The trend among Western countries and Japan-which suspended aid in the aftermath of the coup; is to refuse its resumption and discourage foreign investment until the humanrights situation in Burma has improved and fair elections have been held. The only exception to the policy of Isolating Myanmar was Singapore which allegedly deliverd munitions to Burma.

South Korea and Israel were also accused of supplying arms and making other deals with

Burma. However, a spokesman for the Israeli Embassy in Bangkok, in a letter to the Bangkok Post newspaper on 22 October, dismissed these claims as "unfounded" and said the rumour had been spread to discredit his country. South Korean Assistant Foreign Minister Kim Suk Kyu said in Seoul that his country had not received any requests from Burma for aid. However, the official Burma Broad-casting Service on 19 October announced that South Korea had donated US\$150,000 worth of medicines.¹²

Till the new law Foreign investment were issued on 30 November 1988 the only foreign company allowed to set up a joint venture in Burma was the West German engineering firm Fritz Werner, which makes high-grade machinery for manufacturing weapons for the Burmese army. Major investors, generally adopted a wait-and-see attitude.¹³

Two notable features can be noticed Myanmar's foreign policy in 1989, a sharp reaction against governments that condemned the harsh suppression of the movement in 1988 and the initiative to break with antiimperialist tradition. Ambassadors, and officials were attacked for their "interference" in Myanmar's internal affairs. Ambassadors Burton Levin (U.S.) and Martin Morland (U.K.) were abused for their "meddling"; Senator Moynihan and Congressman Solarz, as well as their co-sponsors of the 1988 and 1989 Congressional resolutions charging Myanmar with severe human rights abuses which required the Bush administration to suspend aid as well as create a trade embargo-were ridiculed as dupes of the BCP and CIA.¹⁴ Burmese who assisted the international press were attacked as tools of the BCP and charged with sedition, as were senior members of the NLD who were linked to "big foreign powers trying to force slavery upon Myanmar." Bertil

^{12. &}lt;u>Bangkok Post.</u> October 22, 1988; <u>FEER.</u> 17 Decmber, 1988; *FBIS, DR/AP*, December, 1988.

^{13.} In February 1988, Burma's Myanma Export Import Corp. (MEIC) signed its first official border-trade agreement with its counterpart in China's Yunnan province. Burma agreed to sell 1,500 tonnes of maize, valued at US\$180,000, in exchange for Chinese milk powder, soap and toothpaste. In overall terms, this may not be especially significant. The total value of private, but officially sanctioned and taxed trade, as well as smuggling through rebel-held areas along the border, may be as high as Kyats 30 million (US\$4.6 million at the official rate) a day, according to some sources. FEER, February 23, 1989.

^{14. &}lt;u>Working People's Daily</u> (hereafter WPD), July-October 1989.

Lintner, Far Eastern Economic Review correspondent and author of Outrage, was singled out for alleged complicity with Ye Htoon in attempting to overthrow the government.¹⁵

The International boycott had a significant impact on Myanmar; although the United States had very limited ties (the USAID opium suppression program hovered between \$5 and \$8 million in recent years), its influence over allies and other members of the international lending agencies is substantial. The curtailing of new assistance through U.N. agencies, the EEC, and even bilateral programmes with Japan, Taiwan, and Canada, narrowed the options of the SLORC regime. The leadership's aggressive courting of corporate investors could well be a reaction to the hostile response of the Western bloc to its style of governance.¹⁶

But China, South Korea, Thailand, Singapore, Malaysia, Indonesia, and Bangladesh all ignored the restrictive policies urged upon them by the democracies actively moved into the new market. Large delegations were exchanged by Myanmar and these governments during the year, with the Chinese and Thai singled out as "ancient" friends. Senior Myanmar military officers led by the Tatmadaw commander, Lt. General Than Shwe, toured Thai cities and military bases in May 1989 and took a similar trip through China for 10 days in October. In both instances they expressed great understanding and sympathy for their military counterparts.¹⁷

While nonalignment ostensibly remained the foundation of Myanmar's foreign policy, it seemed from these initiatives with neighbouring states that a strategic departure was underway that could be an important step toward a new economic development policy. While most of the world's attention was focused on the political dimension, the government moved aggressively into the capitalist camp. Were Myanmar situated in Eastern Europe, these free enterprise steps might well have been ranked with Hungary's

17. <u>WPD.</u> November, 1989.

^{15. &}lt;u>FEER, April 13, December 14, 1989</u>.

^{16.} J.I. Guyot And J. Badgley, *Myanmar in 1989 : Toctmadan V, <u>Asian Survey</u>, February, 1990.*

and Poland's as truly revolutionary. The risk for foreign firms remained very high, given the unstable political conditions. Their investments contradicted the goals of the democratic powers in that they proped a regime that has survived only through severe repression, but there seems to be little those powers could do, or were willing to do, beyond restricting government aid.

But within months of the SLORC takeover, Japan and Australia had softened their policies. Tokyo, which provided loans and grants totaling Y35 billion (US\$278 million) even during the tumultuous year of 1988, gave official recognition to Burma's new military government on 17 February 1989 and partially resumed aid. Australia also reinstated part of its former US\$8-10 million a year aid programme and opened a dialogue with the SLORC.¹⁸

In October 1990, the Foreign Ministry in Tokyoo declared that Japan was "increasingly concerned" about the situation in Burma and expressed "its strong desire" that the ruling military junta should respect the results of the May 1990 general election, which was won by opposition parties campaigning for the restoration of democracy. Japan did not started any new aid projects, though some projects were resumed in March 1989. In addition, Tokyo extended a Y3.5 billion (US\$25 million) debt-relief grant to Rangoon in July 1990 in response to Rangoon's first repayment on its debt to Tokyo of the same amount four months earlier.

Shortly after the election in Burma, Japan stated that utilisation of aid in the past was ineffective. It suggested the idea of grouping aid donors together with multilateral organisations such as the IMF and the World Bank in an effort to persuade Burma to adopt more sensible economic policies. The political stalemate in Burma, however, promoted Japan to shelve these plans. Privately, Japanese officials were angry that Burma ordered US\$1 billion of military hardware from China in October 1989 at a time

18. <u>FEER.</u> October 19, 1989.

Rangoon should have been spending its meager foreign-exchange reserves on maintaining infrastructure such as power stations.¹⁹

Move recently the plight of Burma's Rohingya Muslims has caused a wave of concern within ASEAN, where there is now an emerging consensus that the refugee problem is becoming a threat to regional security. This increased the likelihood that Burma would become the focus of attention at the UN, where Bangladesh is trying to have the issue taken up by the Security Council.

Within ASEAN, Malaysia played the leading role in what amounts to a radical change in the region's approach to Burma. On 10 March, 1992, the Malaysian foreign ministry summoned the Burmese ambassador to protest over the treatment of the Rohingyas in Arakan state. In a move endorsed at the highest level in Malaysia, Foreign Minister Datuk Abdullah Badawi said: "We believe the time has come for a stand to be taken as there seems to be no slackening of attacks on the Muslims by the [Burmese] military."²⁰

Malaysia's protest was quickly followed by a statement from Singapore expressing concern at the influx of Rohingya refugees into Bangladesh. Later the same week, Indonesian Foreign Minister Ali Alatas also expressed concern and appealed to the Burmese Government to solve the problem.

Thailand, which had staunchly resisted efforts to pressure ASEAN into acting against the regime in Rangoon, also hinted at concern. Thai Foreign Minister Arsa Sarasin was quoted as saying that ASEAN as a whole was unhappy with Rangoon over the situation in Arakan. Arsa pointed out that Thailand also faced a problem of refugees from Burma. According to official count, there are at least 100,000 Burmese refugees in Thailand, of whom a third are in Tak province, adjacent to the region where Rangoon's troops are battling rebels of the Karen separatist movement. Report's that Burmese forces dislodged

^{19. &}lt;u>FEER.</u> 11 April, 1991.

^{20.} *Ibid.*, March 26, 1992.

near the fighters from a strategic mountain near the rebels' Manerplaw base heightened concern in Bangkok that the refugee problem could only intensify.

ASEAN has resisted numerous attempts by the US and the EC to force it to adopt a stand on human-rights abuses by the Rangoon regime. ASEAN, contended that any such stand would amount to interference in the internal affairs of a neighbouring country, offered instead a policy of "constructive engagement" to bring about change in Burma.²¹

But with Burmese military action along the Thai and Bangladesh borders fuelling an exodus of refugees, ASEAN's Ratience began wearing thin. Thai officials were frustrated because "constructive engagement" was slow in producing results. In Jakarta, Alatas told a parliamentary hearing that while the problems inside Burma were essentially an internal affair, recent developments suggest an international dimension which could affect the stability of Southeast Asia.²²

At the ASEAN summit in Singapore in January, Malaysian Prime Minister Datuk Seri Mahathir Mohamad made a veiled reference to Burma in saying that ASEAN should not "support oppressive regimes which are not concerned with the well-being of their own nationals."²³

Behind Malaysia's concern lies a general fear about destablisation in the region. Conflicts on the borders of Thailand and Bangladesh could arguably make Malaysia an attractive destination for refugees.

The Arakan crisis alienated even more of Burma's few ASEAN friends - the Muslim states of Malaysia and Indonesia, Burnei and Singapore also joined in the condemnation. In New York, lobbying began for UN Security Council intervention. UN Secretary-General Boutros Boutros-Ghali said on 6 March that he was "seriously concerned" that the crisis

^{21.} Bangkok Post. March 20, 1992.

^{22. &}lt;u>FEER</u> March 26, 1992.

^{23.} *Ibid*.

would threaten stability in Southeast Asia. The possibility of tough action against Burma was also believed to have been conveyed to the SLORC when UN Under Secretary-General for Humanitarian Affairs, Jan Eliasson, visited Bangladesh and Burma in early April.²⁴

Since Gen. Than Shwe took over as SLORC chairman from the ailing Gen. Saw Maung on 23 April, several steps were taken to improve the International image of Burma :

Hundreds of political prisoners, were released though several thousand still remain in captivity.

• An agreement was reached on 27 April between Rangoon and Dhaka on the repatriation of 265,000 Muslim Rohingya refugees living in camps in Bangladesh. Rangoon, however, turned down the suggestion that the UN High Commissioner for Refugees and other UN agencies should supervise the Rohingyas repatriation to Burma. As a result, only a handful returned.

 In May, June and July, Aung San Suu Kyi's family was allowed to visit her in Rangoon.

• Talks held on 23 June, were the first between the SLORC and representatives of some political parties, including the National League for Democracy (NLD) which had scored a land-slide victory in the May 1990 National Assembly elections.

All universities and colleges were reopened on 24 August.

• The Night curfew, in effect since September 1988, was lifted on 11 September.

• The lifting of two martial law decrees, imposed in July 1989, was reported by Rangoon Radio on 26 September.²⁵

While significant in a Burmese context, the ambiguous nature of some of the recent decisions led observers to believe that there was more to the changes than met the eye. The international aspect - to thwart the threat of UN action - was understood at an early stage. As for domestic considerations, the decision to allow Aung San Suu Kyi family visits may have been prompted by the belief that she would leave Burma if she met her husband and sons.

However having lost all credibility the Military Junta has failed to achieve any break through in the political diplomatic impasse. Mynmar continues to languish in stagnation, waiting for the miasma to lift.

25. <u>FEER.</u> October 8, 1992.

CONCLUSION

As the foregoing material illustrates, Burma has never been totally isolated or withdrawn. It has always maintained strong strategically and economically beneficial (for the ruling elite) ties with China, Thailand, Japan, Singapore, Taiwan and Korea.

There indeed was a symbolic shift in diplomacy post 1982-83, as Burma sought to attract foreign capital and technology in order to retrieve an abysmal economic situation. Rangoon adopted a cautious but ambiguous open-door approach. While aid was acceptable on a government to government *ad hoc* basis, foreign investments mere eyed warily. As a well thought out and for sighted strategy did not underlie this "opening" the Ne Win government soon found itself in a situation where the only way out lay in the application for a Least Developed Countries status at the UNO in 1987.

By now the Burmese people were completely alienated from the government, and in 1988 they took to the streets demanding democracy. Once again Burma had to turn inwards to sort out the domestic upheaval. Thus between 1988-1990 the Burmese government applied itself to internal crisis management, in the process regressing back to the earlier xenophobic isolation.

The SLORC, which arose phoenix like from the ashes of the pro-democracy movement, faced the problems which all Burmese governments since 1947 have faced : insurgency, and dissidence, economic chaos and ruin.

SLORC's financial situation was acute because of Burma's status as an international pariah. Since the 1988 crackdown on the democracy movement, almost all foreign aid to Burma had been cut off. Burma stopped receiving credit from the IMF, the World Bank and the Asian Development Bank

(ADB). The US and EC aid programmes were suspended. Japan, which has traditionally been Burma's biggest donor, now provided only enough funds to keep its projects operating. This hit the SLORC hard since nearly 90% of Burma's total US\$5 billion foreign debt was extended on concessional terms by donors.

But the Army was determined to hold on to power at any cost, and even though it held free and surprisingly fair elections in May 1990, it did not heed the popular mandate in favour of the NLD.

The NLD, which had won 392 out of 485 seats contested in the assembly, sought to broaden its support base in order to pressure the SLORC into honouring the outcome of the election. It managed to enlist the support of the United Nationalists League for Democracy (UNLD), a coalition of 19 ethnic-based regional parties, 14 of which were represented in the assembly. The NLD-UNLD alliance controlled all but 50 seats and called on the SLORC to convene the assembly in September, or the elected delegates would meet anyway. The SLORC's reaction was predictable. On 27 August, Rangoon military commander Maj.-Gen. Myo Nyunt made it clear the SLORC accepted no time limit in allowing the assembly to convene.

New above-board investment tailed off almost completely when the SLORC ignored the outcome of a national election. To maintain itself in power the SLORC had to take fresh initiatives in order to invite foreign aid and investment. The new ties sought were more in the nature of opportunistic collusions rather than constructive rectifications or initiatives. The vast Burmese national resources of Teak, Minerals, gems and oil were up for sale to the highest bidder.

The SLORC's foreign-exchange reserves totaled US\$310 million. Unofficial estimates, compiled by embassies in Rangoon and including military rake-offs

from the timber, gem and narcotics trades, put the Burmese foreign-exchange holdings as high as US\$850-900 million. However, most analysts concur that the dominant impact of the open-door policy has been the mortgaging of the future of this resource-rich country for a quick buck.

Government spending continues to be almost solely military-related. Official statistics from the Ministry of Planning and Finance put defence expenditure at 32% of Burma's budget for the fiscal year ended on 31 March, 1991, but independent analysts put total-defence related spending at closer to 50% of the *kyats* 12 billion total.

Most of the foreign exchange was used to purchase arms worth US\$500-600 million. Some analysts estimate existing and future arms-purchase commitments primarily to China to be as high as US\$1.2-1.4 billion.

Relations with Thailand and China are being reinforced through a process of "cementing" the afore mentioned mutually beneficial ties by the vested interests.

There is no justification for legitimizing these "deals" as diplomatic departures or well thought out interactions aimed at promoting national interest. A corrupt, oppressive, gerantecratic regime continues to cling to power without rational (as opposed to whimsical) policy formulation. Until there is a drastic change in the domestic milieu Myanmar seems fated to remain "forgotten" by the rest of the world at large.

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3068