

“Burma-ASEAN Relations: Rationales And Incentives”

Burma's entry into ASEAN has entailed significant implications for the country's economic and political future as well as for ASEAN as an organization. Despite the international condemnation of the Burmese military regime due to violation of human rights, ASEAN has accepted Burma as its member on the basis of its controversial constructive engagement policy. Beneath the superficial arguments for such a policy lie rationales and incentives which both Burma and ASEAN cherish in forging ever closer ties. It is the purpose of this article to analyze these rationales and incentives as well as explore the consequences of the economic and diplomatic interactions as brought about by the closer relations between Burma and ASEAN. In addition, this article assesses whether ASEAN's policy of constructive engagement has been successful in bringing greater freedom and liberalization in Burma.

I. Burma and ASEAN in the Past

ASEAN was created in 1967 for promoting economic cooperation as well as an alliance to counter the communist expansion in Southeast Asia. At the time, Burma was under the Revolutionary Council government which came to power in the 1962 coup. The military regime declared a "Burmese Way to Socialism" and nationalized the important sectors in commerce and industry, severed all significant links with international economy, and pursued an autarkic economic policy. An isolationist foreign policy was adopted and the regime was xenophobic in its attitudes towards the external world, essentially abstaining from joining most international and regional organizations, including ASEAN, except for

the United Nations¹. Declaring a non-aligned foreign policy, the regime avoided taking sides on most international issues.

Burma's strictly non-aligned foreign policy in fact attracted ASEAN which sought to enhance the association's image as a non-ideological organization by having Burma as a member. On many occasions, ASEAN leaders attempted to coax Burma into the organization as early as 1967. Burma did not join ASEAN because ASEAN had not recognized the People's Republic of China (PRC) as well as PRC's hostile attitude toward the organization. Burma seemed unwilling to risk incurring China's wrath by joining ASEAN.

II. Rationales and Incentives

The emergence of Burma's second military regime, "The State Law Order Restoration Council" (SLORC)² and the subsequent shifts in the country's economic policies have changed that isolationist policy and made it possible for closer relations between Burma and ASEAN. In the early 1990's, the China factor was no longer a constraint for Burma. Antagonism between the communist China and the West, hence ASEAN nations, has considerably eased. The new regime, which is essentially an extension of the preexisting political order, announced its commitment to economic liberalization and market economy. While the ruthless atrocities and deterioration of human rights in the country, which escalated since the regime emerged, sparked international outcry and earned the regime the title of "international pariah," two leading ASEAN nations (Thailand and Singapore) quietly worked towards establishing economic ties with Burma's new military regime.

The relationship between the ASEAN and Burma, as has grown since

1988, is built upon ASEAN's "constructive engagement" policy which is characterized by the organization's economic and diplomatic engagements with the SLORC regime. The fundamental argument of the ASEAN countries in pursuing this policy is that socioeconomic progress through trade and economic liberalization will eventually nurture freedom and political liberalization in Burma's oppressed society. The major objective of this policy is to promote trade and economic ties with the SLORC regime so that continued diplomatic channels can be used to persuade the military regime toward political liberalization. In other words, ASEAN's policy intends to gently prod Burma towards respect for human rights and freedom. The policy directly contrasts with the position of the U.S. and other liberal, industrialized countries which favor punitive efforts such as imposing economic sanctions and diplomatically isolating the country in order to force the SLORC regime to end its policies of political repression. Despite the constructive-engagement rhetoric, there exist rationales and incentives on both sides, both economic and political, which drew ASEAN and Burma closer.

A. ASEAN and SLORC's Survival

The rationale for the SLORC regime to turn to ASEAN, just as it did to China was simply that of survival. SLORC was handed over a thoroughly-plundered economy by its parent regime, the Burma Socialist Program Party (BSPP) regime. The havoc wreaked by the BSPP regime's disastrous central planning policies reduced Burma to the status of the least developed country on the U.N. ratings in 1987.

To protest the military's bloody suppression of the popular democratic uprising in 1988, Burma's major donors cut off or suspended

financial assistance. Japan, the largest donor and creditor of Burma, announced suspension of its aid to Burma following the coup. The second largest donor, Germany, had already cut off its approximately DM 68 million per year aid. The U.S. also terminated its aid programs in Burma.³ Therefore economic backing was immediately needed for the SLORC in the 1988-89 period. Besides the SLORC army faced an immediate danger soon after its advent which came from numerous ethnic insurgencies whose rebellions were bolstered by the student-led popular uprising and whose ranks were swelled by thousands of students and activists who fled the military crackdown to the jungle. SLORC's survival at the time was at stake in light of the extreme financial hardship and the military threat from the ethnic resistance groups. Aid to the SLORC regime came from two of its ASEAN neighbors : Singapore and Thailand.

Singapore made two shipments of weapons and ammunition to Burma, the first of which came to Rangoon in October 1988 shortly after the coup. This shipment, which was about 75 truck-loads, was made by Singapore's "Allied Ordnance Singapore" company and transported on two ships owned by Burma's Five Star Shipping Line.⁴ In August 1989 another shipment was made from Singapore to Rangoon. Given Burma's financial situation at the time, it was believed that Singapore arranged barter deals out of courtesy for the cash-strapped SLORC generals.⁵ These shipments replenished the Burmese army's dwindling reserves and were instrumental in the SLORC's successful offensives against the ethnic and student rebels.

Thailand's diplomatic interactions and business deals with SLORC following the coup were also equally crucial to SLORC's survival. General Saw Maung (chairman of the SLORC at the time) and General Chavalit (

then supreme commander of Thai armed forces) quickly set up close relations between the two countries. It was match made in heaven: Burma's urgent need for hard currency and Thailand had an intense interest in Burma's natural resources. The business deals struck afterwards included the selling of teak logging rights along Thai-Burma border and fishing rights in Burmese waters to Thai firms. Thai timber companies managed to obtain 17 logging concessions worth more than \$100 million.⁶ An additional \$17 million was offered to the SLORC regime for the sale of fishing rights to Thai business off Burma's Tenasserim coast.⁷ Numerous other business concessions were made in the same fashion between Burma and Thailand. For the first time in years, legal border trade was officially established between Burma and Thailand in 1989.

B. Constructive Engagement in Practice

Not only were Singapore and Thailand crucial to the SLORC regime's survival, but their active roles in promoting trade and investment in Burma's newly-opened economy were equally important. Given the lack of "de jure" legitimacy, Burma's military regime resorted to various means to bolster its "de facto" status as a government. In that respect, one of its justifications to hold on to power is its stated commitment to economic prosperity by maintaining a strong state to guarantee order and stability. The regime announced its goal of a market economy after the coup and promulgated "The Foreign Investment Law" in November 1988 and "The State Economic Enterprises Law" in March 1989 to attract foreign investment.⁸ Because Western industrialized nations are opposed to establishing trade and economic relations with the SLORC, ASEAN nations stepped in as Burma's major trading partners and the top foreign

investors.

Among the major ASEAN countries, Thailand stands out as the most active player in Burma's new economy in the early 1990's. In fact, Thailand considers itself the "catalyst" for economic growth in mainland Southeast Asia since the end of Cambodian conflict. In 1989, the administration of Chatichai Choonavan introduced the policy of "Golden Peninsular" which aims at transforming the previous battle fields of Indochina into market places.⁹ As part of that vision, Thailand declared "constructive engagement" policy and upgraded diplomatic and economic relations with Burma soon after SLORC took power.

After having secured lucrative economic concessions from the regime in 1988-89, Thailand seemed to be leading the charge in penetrating Burma's commercially unexploited market and mostly-untapped raw materials in the early 1990's. In the period from 1989 to 1991, Thailand topped the list of Burma's foreign investors with \$160.97 million.¹⁰ Despite some territorial and commercial disputes along the border, Thai-Burmese relations have steadily followed the path of constructive engagement policy, and Thailand remains Burma's third largest trading partner.

Sharing the common ground thus defined as "constructive engagement", other ASEAN nations followed Thailand's suit. Singapore views Burma as the most promising economic hinterland after Malaysia. Following the SLORC regime's announcement of the Foreign Investment Law, twenty two Singaporean firms rushed to Rangoon to establish businesses.¹¹ Singaporean companies have built hotels, supermarkets and parks and are also engaged in bi-lateral trade in timber and raw materials from the Burmese side and capital goods and electronic products from Singapore.¹² In March 1994, Singaporean Prime Minister Goh Chok-Tong became the second head of state

to visit SLORC's Burma since the 1988 coup.¹³ The prime minister reaffirmed the policy of constructive engagement, saying that isolation of Burma would not work and the international community could help Burma by engaging in constructive dialogue.¹⁴ Singapore's total investment in Burma surged to \$603 million by the end of 1995, surpassing that of France to make it Burma's second largest investor after Britain.¹⁵

Malaysia and Indonesia were initially taken aback by SLORC's treatment of Rohingya Muslims in Burma's Arakan state. Since SLORC eventually agreed to a plan to relocate approximately 200,000 Rohingya refugees who fled to neighboring Bangladesh during SLORC's census check of the region in 1989, Malaysia and Indonesia toned down their criticism of the regime and gradually fell in line with the constructive engagement policy. Diplomatic and economic relations were quickly upgraded, finally leading to a visit by General Than Shwe (present chairman of SLORC) to Kuala Lumpur in August 1996. Since 1993 Malaysian firms have opened offices in Rangoon, focusing on tourism-related businesses and the exploitation of primary resources.¹⁶ Malaysia has since become the major supplier of cooking oil to Burma. As of August 1996, Malaysia had invested some \$ 230 million in Burma, making it the sixth-largest investor in the country.¹⁷

Indonesia is the last ASEAN country so far to join the push into the Burmese market. General Than Shwe made a state visit to Indonesia in June 1995 in order to boost economic and trade relations. Jakarta offered to help Burma in developing natural gas reserves, and both countries agreed to work on investment guarantees and avoidance of double taxation as the groundwork for future economic relations.¹⁸ Following the visit,

Indonesian firms - especially those run by President Suharto's close relatives - began to invest in Burma. The PT Rante Mario company of Humpuss Group, owned by President Suharto's youngest son, signed a joint-venture in timber production and wood processing with Myanmar Timber Enterprises, worth approximately US \$ 75 millions.¹⁹ Indonesia's Eka Prad Group, led by President Suharto's son-in-law announced its plan to invest up to US \$200 million in a new cement factory in Burma.²⁰ Since Burma's generals view Indonesia as an model for their plan to establish a long-term military-dominated polity in Burma, closer ties are expected to emerge between the two countries in terms of economic interactions and political consultation.

C. Burma and ASEAN's Diplomatic Shield

Just as ASEAN' economic ties are important to Burma's new economy, its diplomatic engagements with the country are crucial to the latter's attempt to break out of the diplomatic isolation. Burma was ostracized by the U.S. and other major democracies following the bloody crack-down of the 1988 popular uprising. Not only Burma's major donors cut off or suspended economic aid to the country, but also its attempts to obtain large-scale loans from the international financial institutions such as the International Monetary Fund (IMF) and World Bank were constantly blocked by the U.S. and the West. Even though Japan is the only major industrialized country which maintains close ties with Rangoon, Japan always points out that it maintains a critical attitude and is attempting to bring about improvements in human rights and democratization in Burma through diplomatic contacts and aid incentives.²¹ The SLORC regime was

dubbed by the international media as a "pariah government" in the early 1990's due to the lack of popular mandate and its oppressive nature. It was only ASEAN's trade and political engagements that enabled the SLORC to avoid total isolation and economic stagnation.

One of the rationales the SLORC has in its relationship with ASEAN and its persistence in attempting to acquire membership in the grouping is that Burma can exploit ASEAN as the crucial bridge to the world community. Through diplomatic relations with ASEAN, and by joining the association, Burma expects to secure a respectable standing in the international community. The SLORC regime anticipates that it will be seen as a legitimate government under ASEAN's diplomatic clout and, most importantly, that its ASEAN allies can be relied upon to counter the West's moves to isolate Burma. This is the most significant incentive for Burma to become part of ASEAN. In this respect, Burma has already gained some international stature in ASEAN-sponsored regional conferences such as the association's annual meetings and its extension, ASEAN Regional Forum.

In July 1994 Burma began attending such meetings in Bangkok under the auspices of ASEAN, as the special guest of the host country, Thailand. For similar meetings in 1996, Burma was officially granted observer status. All seven members of ASEAN and the 19-member ASEAN Regional Forum had either explicitly endorsed Burma's participation as an observer or not raised any objection at the meetings in 1997.²² In addition, Burma's ASEAN friends have always been quick to defend its human rights records whenever serious criticisms are made by the West. For instance, when the vice-president of the European Community criticized ASEAN's relationship with Burma's military regime on the

ground of human rights violations, a spokesman of the Malaysian foreign ministry accused the West of hypocrisy citing the ethnic cleansing in Bosnia and the sectarian violence in Northern Ireland as examples of human violations which the West did little to stop.²³ In sum, the SLORC regime values its relationship with ASEAN for mutual economic benefits as well as for forging legitimacy through diplomacy.

D. ASEAN's Economic Thinking

Apart from pursuing immediate commercial interests in the recently-opened economies of Vietnam, Burma, Laos and Cambodia, ASEAN conceives a long-term plan to integrate all these countries into the ASEAN economic sphere in order to enhance its economic competitiveness in the world market. This is especially the case because ASEAN is presently facing serious challenges from other Asian countries for stagnant or slow-growing markets in the industrialized countries such as the U.S.²⁴ ASEAN intends to upgrade its competitiveness by having all ten Southeast Asian nations in its fold, promoting their productivity and domestic markets as well as developing greater intra-ASEAN trade relationships such as the proposed ASEAN Free Trade Area. Besides, by drawing other non-member Southeast Asian countries into the grouping, the industrialized ASEAN countries will be able to utilize cheap labor and abundant resources of these countries, which are invaluable for that purpose.

E. Burma, ASEAN and the China Threat

In addition to long-term economic objectives, ASEAN seems to believe it is imperative to deal with one of its major security concerns brought about by Burma's leaning toward China since 1988. The perceived China

threat always looms in ASEAN's security thinking - a perception particularly based on recent events. The still-unresolved dispute over the Spratly islands in the south China Sea is a good example. Though China and ASEAN have been the two major supporters of the SLORC regime, and the former is closer to and more influential over the the country than the latter. China's increasing influence over Burma, especially through massive military assistance and dispatch of military advisors to the country, has particularly exasperated such concern among ASEAN leaders. Within Southeast Asia there exists a traditional belief that China considers the region as its area of influence, as is confirmed by ages-long Chinese tendency to push southward.

During the Cold War period the Chinese attempt to expand its influence in the region was made by exporting communist revolution to the region. China supported the Southeast Asian communist parties, including the Communist Party of Burma (CPB). In the case of Burma, decrease of such support under Deng Xiao-Ping and sudden collapse of the CPB in 1989 altogether created a different scenario in which China has become an important ally to the Burmese military. Circumstances surrounding the SLORC's military take-over in Burma brought China and Burma closer than ever. In fact, both Burma and China had suffered tremendous blows by student-led popular uprisings in 1988 and 1989 respectively, and incurred international censure for the bloody suppression of both uprisings. It is not surprising that two diplomatically isolated and internationally condemned neighbors would draw close to each other.

Traditionally China views Burma as a strategic sector protecting its western flank. As China's arch rival, India, supported the pro-democracy Burmese during and after the 1988 Burmese popular uprising, China quickly took side with the SLORC regime. Following the SLORC's ascension to power in Burma, numerous visits by high-ranking officials were exchanged

between Burma and China and various agreements were signed to promote border trade and develop the mountainous areas straddling the long common border with Chinese economic aid. Border trade between the two countries has tremendously grown ever since. The volume of the trade is conservatively estimated to be worth US\$1 billion annually since its formal legalization in 1989.²⁵ Chinese economic aid to Burma soared - especially in infrastructure projects- with emphasis on the construction of roads, railways and bridges connecting the two countries. This trend is particularly worrisome for ASEAN entrepreneurs who eye the Burmese market as the next "opportunity" after Vietnam.

To the alarm of ASEAN leaders, China provided Burma with large shipments of military hardware and technology, estimated to be worth of \$ 1.4 billion in 1990-91.²⁶ During Chinese premier Li Peng's visit to Burma in December 1994, another arms deal was signed and Burma is going to acquire \$4 billion in weapons at friendship prices.²⁷ Chinese military advisors began to arrive in Burma as early as 1989 and Burmese military officers were sent to China for military training. The news of the massive shipments of Chinese arms to Burma was compounded by an unconfirmed report that the Chinese helped build a radar installation on an island in Burma's Andaman sea where Chinese officers jointly supervise the surveillance operations.²⁸ ASEAN is concerned about Burma becoming a Chinese satellite or a strategic launching pad for a more aggressive China. ASEAN's rationale in pulling Burma toward its constellation is therefore to draw the country out of the Chinese orbit.

III. Engagement Vs. Isolation

ASEAN's constructive engagement policy runs counter to the policy of isolation adopted by the U.S. and its Western allies. Due to SLORC's

human rights violations and political repression, the U.S. and the European countries issued threats of economic sanctions and diplomatic isolation. In September 1996, the U.S. congress passed "Foreign Operations and Appropriations Act (Burma)," which authorized the U.S. President to prohibit new U.S. investments in Burma if the SLORC physically harms, rearrests or exiles Aung San Suu Kyi, or continues its repression of the democratic movement. In October 1996 the U.S. president signed a presidential proclamation banning the entry of Burmese military leaders and their families into the U.S. in response to the arrests by the SLORC of more than 550 NLD²⁹ members to block the NLD's second party congress.³⁰ In the last week of October 1996, the European Union followed suit by banning the Burmese military officials and their families from entering EU countries. As SLORC stepped up the repression of NLD, U.S. President approved on 22 April 1997 the economic sanctions against Burma, banning new U.S. investment in the country.

Pressure by the U.S. and the West to constrain ASEAN's hand-in-glove relationship with Burma always faced strong resistance from ASEAN. The most significant episode in that respect took place when the U.S. government dispatched two special envoys in June 1996 to ASEAN capitals to discuss on the issue of how Burma should be pressured into respecting human rights and democratic standards. The diplomatic initiative was prompted by SLORC's arrest of over 250 senior members of the National League for Democracy in an attempt to thwart the party's first party congress. ASEAN governments apparently resisted U.S. pressure and the envoy returned home empty-handed.

Apart from economic, diplomatic and security considerations, there are more fundamental reasons as well as peculiar circumstances which hold Burma and ASEAN together. First, a majority of ASEAN states are governed by authoritarian or semi-democratic governments. Except for the

Philippines, other ASEAN countries are under authoritarian or semi-democratic governments. These nations are by no means disposed to entertain the democratic norms and human rights standards commonly accepted by the industrialized western democracies. An Asia-Pacific Governmental Declaration of Human Rights, adopted in Bangkok in 1993, stipulated that discussions of human rights should bear in mind "the significance of national and regional particularities and various historical, cultural and religious backgrounds."³¹ Thus ASEAN states are apparently practicing a "see-no-evil" policy in their intimacy with Burma's military regime.

Second, some ASEAN countries, especially Singapore and Thailand, have peculiar interests in forging closer relationships with Burma. Singapore traditionally relies on Malaysia for raw materials for its highly-developed manufacturing industries. Since Malaysia itself is developing a manufacturing economy, Singapore needs another supplier of raw materials in the region. Burma clearly fits to be such a supplier. Singapore has thus become a major importer of Burmese timber, rubber, tin, fishery products and agricultural commodities.

Thailand's determination to maintain friendly ties with its problematic neighbor has a similar bearing. Currently faced with the issue of increasing energy demand due to its industrial expansion over the last decade, Thailand must meet a projected 120 % increase in energy demand by the year 2006. To resolve this issue, Thailand plans to rely on Burma's off-shore natural gas fields in the Andaman sea, which are being developed under a joint-venture by TOTAL(France), UNOCAL(USA), PTTEP (Thailand) and Myanmar Oil and Gas Enterprise (MOGE). A mammoth 416-mile long gas pipe-line is being laid from Burmese waters to Thailand to transport approximately 525 million cubic feet of natural gas per day.³² Given its reliance on Burma for natural gas, Thailand is expected

to maintain close ties with Burma in the foreseeable future. In the final analysis, ASEAN's constructive engagement policy and the West's policy of isolation will remain as distant from and incompatible with each other as it is today.

IV. Implications For ASEAN and Burma

Given potentially immense effects which Burma's entry into the organization could bring about both on ASEAN and Burma, the following questions are raised: "How does ASEAN fare in its present close ties with Burma?", "What are the implications of such ties for Burma's economic and political future?", and "How effective has ASEAN's quiet diplomacy been?" .

(A) Promotion of ASEAN's economic strength and counterbalance to Chinese influence

It appears that closer relations with Burma and its entry into ASEAN could yield positive dividends for ASEAN in terms of intra-ASEAN trade and investment. Burma was closed for three decades from the outside world and was not affected by the growth-oriented economic trends that Southeast Asia saw during last two decades. The country's natural resources remain mostly untapped and its labor force is one of the cheapest in Southeast Asia with an average daily wage of about Kyat 20 in the state sectors.³³ Given Burma's cheap labor, ASEAN can invest its surplus capital in labor-intensive industries, such as textiles, garment-manufacturing, and food-processing, in Burma and export the manufactured products to the world market at competitive prices. ASEAN's manufacturing industries could rely on Burma's natural resources for raw materials and the country's population of 46 million as potential consumers for ASEAN products. Singapore and Thailand, followed by Malaysia and Indonesia, are

presently engaging in the Burmese market in light of these considerations.

Nevertheless, the Burmese market is not much of a rosy picture when considered from a perspective of long-term interest. Burma's economy today is problematic at best, and the prospect for sustainable economic growth over the long run is dim. There exist serious problems which are impeding Burma's growth potential. These include (a) a highly unrealistic exchange rate, (b) government control on agricultural commodities, (c) government's emphasis on short-term results to meet immediate goals and (d) the depletion of trained and educated manpower and the deterioration of the educational system.³⁴ These problems are compounded by the country's political stalemate between the ruling military junta and the National League for Democracy. Without political dialogue between the two parties, Burma's stability is at stake. Without political stability, economic growth is a distant goal. Urging ASEAN leaders at ASEAN-East Asia summit held in Malaysia in December 1997, Aung San Suu Kyi pointed out that "without political change, I don not think that there will be stability in Burma nor will there be sustainable economic development."³⁵ If ASEAN's strategy is to enhance its economic strength by transforming Burma into a dynamic economy and sustainable market, it is arguable that such a strategy risks uncertainty in light of present political and economic developments in Burma.

Similarly, there is no guarantee that ASEAN's strategy to pull Burma out of China's orbit would be successful. As far as the SLORC is concerned, China is an invaluable trump card for its dealings with ASEAN. By straddling on the fence, SLORC can employ the China card in extracting political and economic concessions from ASEAN. In fact, China's engagements with Burma since 1988 have been more comprehensive than ASEAN's constructive engagement. If there is any place other than South

China Sea where the interests of ASEAN and China could collide, it is Burma. Just as ASEAN views Burma as an important land for its economic and security interests, so too does China. As China emerges as a giant industrial power in the future, it certainly will attempt to establish direct access to its Southeastern neighbors for their natural resources and domestic markets for Chinese industries. This is especially the case with Burma due to its geographical proximity to China. Definitely, Burma would become an important factor in the development of Southwest China.

Burma's dependence on China has gone far beyond arms supplies and cross-border trade. Rangoon-based diplomats reported that the Burmese military regime also relies upon the Chinese for advice on diplomacy and propaganda, and that SLORC officials and the Chinese embassy in Rangoon hold regular meetings to discuss these issues.³⁶ Given Burma's increasing dependence on the Chinese on almost all important matters, it is doubtful that ASEAN's hope to draw Burma out of Chinese influence will be ever materialized.

(B) Implications of constructive engagement for Burma economic and political future

ASEAN's constructive engagement policy has entailed two radically different consequences for Burma. While this policy is immensely beneficial to the SLORC/SPCD regime, it is highly questionable whether the policy has yielded any positive consequences for Burma as a nation. On the part of the SLORC/SPDC regime, the constructive engagement policy certainly has been appreciated. The regime survived the crises of financial hardship and diplomatic isolation after the 1988 coup thanks in large part to ASEAN's engagements with it. The regime has relied on ASEAN as a diplomatic shield to protect itself from the international

criticism of its miserable record of human rights.

For Burma as a nation, however, it is doubtful that the constructive engagement policy will be beneficial to its economic and political future. ASEAN maintains two arguments regarding this policy. First, by improving socioeconomic conditions of Burmese people through trade and investment, ASEAN argues that freedom and political liberalization can be eventually achieved in the country. This argument falls in line with some arguments of "Modernization Theory" as expounded by Seymour Martin Lipset in the 1960's. The theory essentially states that economic development creates socioeconomic conditions which are conducive to democracy³⁷, thus emphasizing the socioeconomic pre-conditions as foundations of freedom and democracy. Second, ASEAN assumes that, by leaving diplomatic channels open to the SLORC, the regime could be quietly persuaded to move toward political liberalization.

To assess ASEAN's constructive engagement policy, it is necessary to ascertain whether the policy has helped improve socioeconomic conditions of the Burmese populace in general and whether ASEAN's quiet diplomacy has produced any positive results. According to SLORC, Burma's economy has been booming over the last four years. The actual amount of growth is difficult to assess because government figures are always inflated. The regime claimed GDP grew 6.8% in 1994-95 and 5.6% in 1993-94. Per capita GDP grew 4.8% in 1994-95 and 4.0% in 1993-94.³⁸ For the fiscal year of 1996-97, SLORC announced GDP growth was 5.8%.³⁹ Foreign observers believe that the actual figures to be close to 4-6%.⁴⁰ Therefore, SLORC's claims of economic growth should be critically viewed.

The real issue is whether economic growth, if any, is sustainable over the long run and whether economic benefits of such a growth, if any, are beneficial to the Burmese people. The economic growth that came about

over the last four years has been basically stimulated by foreign investment, trade and increased agricultural production. The positive figures in Burma's current economic growth are generated in large part by the inflow of foreign investments in tourism-related projects, such as construction of hotels, and natural resources extraction ventures, such as oil and gas exploration. Without a solid economic base, it is questionable whether SLORC's Burma would be able to sustain economic growth when these sectors are eventually saturated. In addition, the SLORC government's economic management is not encouraging either. Over the last five years, the Burmese economy has not stabilized and inflation has been running between 60% and 90%.⁴¹ In addition, recent financial crisis in Asia has indirectly hit the Burmese economy as it has vanished direct investment from ASEAN countries. A massive 39% of proposed investment projects from ASEAN countries are unlikely to materialize. Though total foreign investment in Burma stood at U.S. \$ 6 billion in March 1997, only 40 to 60 % of it has been disbursed.⁴²

Based on current economic trends, it is logically predictable that Burma's economic growth, if any, could lose steam in the near future.

The fundamental problem is that economic benefits brought about by the open-market economy are not being distributed in a way that socioeconomic conditions of the vast majority of the Burmese people will be improved. The point is that almost all economic ventures financed by foreign investors and most of trading activities are monopolized by the military-established "Myanmar Economic Holdings Limited (MEHL)" and other government-controlled "Joint Venture Corporations (JVCs)." The giant MEHL has 40% of its shares owned by the Ministry of Defense and the remaining 60% is allotted to the members of the armed forces, active or retired, and regimental institutions and organizations. These military-controlled enterprises dominate foreign trade and investment so overwhelmingly that

economic dividends from these sectors basically fall into the hands of the military. The Burmese populace in general is still living below the poverty line with a mere Per Capita GDP of US \$113⁴³ far lower than those of the world's poorest countries.

In addition, the middle class, which is the fundamental force in bringing about political liberalization, is far from emerging in Burma. In East Asian countries, economic development through trade and investment actually gave rise to powerful middle classes. Thailand is another example. In Burma's military-dominated market economy, however, capital accumulation is occurring only among the military officers and Chinese traders. If there is any indication that Burma's limited growth has created a class of new entrepreneurs, its members are of Chinese descent.⁴⁴ Burmese entrepreneurs, who established businesses in the euphoric wave following the opening of the economy, have failed to capture profitable business deals in the foreign trade sector because of its domination by the military-established joint-ventures. Lack of capital and expertise, compounded by the government monopoly in foreign investments, inhibited the would-be entrepreneurs from growing into a tangible economic class. Emergence of a large, prosperous middle class is therefore only a distant possibility in Burma. Over and above, Burma's astronomical defense spending, which for instance has consumed about 41% of the government budget in 1993-94 (about 4% of the legal GDP),⁴⁵ is a large drain on the economy, making it difficult to improve education, health care, communications, infrastructure and the living standard of the Burmese people. In sum, ASEAN's hope to improve socioeconomic conditions of the Burmese people through trade and investment is reaching nowhere.

(C) ASEAN's Quiet Diplomacy

Regarding its "quiet diplomacy", ASEAN always contends that, by leaving diplomatic channels open to the SLORC, the regime could be gently persuaded to move toward political liberalization. In practice, ASEAN has always shied away from doing so, citing its policy of non-interference⁴⁶. ASEAN's policy toward Burma's domestic politics lies in stark contrast to its policy toward Cambodia. In response to Hun Sen's seizure of power in Cambodia, ASEAN has delayed the country's entry into the grouping.⁴⁷ Even more, Malaysian deputy prime minister Anwar Ibrahim outlined a policy of "constructive intervention" for ASEAN regarding the Cambodian situation, which calls for democratic elections, legal and administrative reforms, strengthening of civil society and rule of law in Cambodia.⁴⁸ ASEAN apparently has applied double standards to the cases of Burma and Cambodia.

ASEAN's quiet diplomacy is a failure since it has not been able to bring political progress in Burma. Instead of leading to more political openness, the SLORC regime is steadfastly moving toward consolidating its power and neutralizing the pro-democracy movement. The SLORC-supervised national convention, which has been convening on and off since 1992 to draft a constitution, was given guidelines which clearly stated the military's dominant position in the future government. Despite repeated calls from the National Language for Democracy for political dialogue, the SLORC has chosen to ignore the prospect for national reconciliation and has increased repression to circumvent Aung San Suu Kyi. The U.N. Commission on Human Rights adopted a resolution a resolution on human rights situation in Burma in April 1997 which expresses the commission's deep concern at the continuing violation of human rights in the country.⁴⁹ Concerning these developments, ASEAN has repeated its cliché that these

events are Burma's internal affairs and refused to assert pressure or resort to persuasion to a lesser degree. Indeed, it is arguable that ASEAN's quiet diplomacy is no diplomacy at all if diplomacy is defined as actions by states to effectively communicate their intentions and policies to other states.

Conclusions

ASEAN has been given the benefit of doubt over the past six years by the world community that its constructive engagement policy might result in a better Burma in terms of civil and political rights. Despite ASEAN's assertions, Burma has not developed in that direction. ASEAN's primary goal of transforming Burma into another economic engine of the grouping is as uncertain of success as is Burma's economy. Its strategic intention of pulling Burma away from Chinese influence is an illusion as Burma has become increasingly dependent on China. ASEAN's constructive engagement has not improved living standards of the Burmese, thus undermining the prospect for gradual liberalization through socioeconomic developments. Its "quiet diplomacy" is in fact an easy excuse for inactive diplomacy to conveniently ignore Burma's problems.

It is clearly discernable that ASEAN is extracting short-term, limited profits from its relations with Burma under the guise of its constructive engagement policy. A long-term view should convince ASEAN leaders that they have much more to gain by helping Burma develop into a peaceful and prosperous country under democratic rule than making short-term accommodations with the SLORC regime. A democratic Burma which is characterized by institutional stability, rule of law, freedom of its citizens and fair and just economic policies can hope for sustainable economic growth. Only a democratic government in Burma will be capable

of fully engaging the rest of the world in diplomacy, development and trade.

To this end, ASEAN should make use of its considerable leverage over the SLORC regime to nurture a better political environment in Burma. ASEAN needs to reassess its ineffectual constructive engagement policy and consider forging a common strategy concerning Burma's economic and political future. One of the options open to ASEAN in this regard would be to take initiatives to induce political dialogue between the SLORC and the NLD. Such an action would strengthen the NLD's demand for a meaningful dialogue with the SLORC leaders and would eventually break the political stalemate, paving way for political solutions to Burma's problems. All in all, ASEAN needs to change its policy towards Burma by balancing immediate commercial interests and long-term effects, both political and economic, if positive results for both sides in the long term, rather than uncertain short-term interests, are the major goals its engagement with Burma.

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ENDNOTES

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46.

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