

CHAPTER V

MYANMAR'S DOMESTIC CONDITIONS

Conflicts and confrontations between Thailand and Myanmar, so it has been argued in this thesis, partly have been caused by the two countries' domestic conditions. Of Thailand has just been examined, and if one turns one's attention to the case of Myanmar, it is clear that political unrest in the country has been a set of factors affecting the uneasy relations between them.

During the first year of the Thaksin Government, many problems initially arose from the fighting inside Myanmar, which contributed to other kinds of problems such as refugees, border intrusion and mutual misunderstanding. The crucial incidents involved fighting between the central Government and the Shan State Army led by Col. Yord Serk as well as the Karen National Union led by General Bo Mya. Therefore, the current situation, where relations among the political actors in Myanmar are concerned, will be studied with the focus on the role of the Junta and those of ethnic minorities in the borderland. Now, only a handful of Shan and Karen groups, some of whom have surrendered in return for amnesty, remained struggling against the government. However, the internal conflict resolution by the Myanmar Government to resolve its political conflicts can be seen as another factor that created the opportunities for further problems to occur. The cease-fire agreements with some of the ethnic minority groups meant that the government has had to give these particular ethnic minorities autonomy and rights, which allowed them to freely manage their "economic" activities, transforming them into allies of the government. Of great significance has been the drug issue inside Myanmar, particularly in the area of UWSA control. Movements of drug caravans, which the central government has not attempted to stop or control, have been made possible by such autonomy given to the UWSA by the central government. Another impact of cease-fire agreements is the expansion of Myanmar central authority to the frontier. This gave rise to opportunities for confrontation between the two countries' national armies. The last internal factor, which will be studied, is Myanmar's economic situation. One could not

deny that one of the most prominent factors leading to thousands of people to leave their homeland for Thailand has been the unimproved economic situation, as evident most recently from the bank crisis.

Unrest in Myanmar

Fighting between ethnic insurgencies and the central government of Myanmar remained an unresolved problem for Myanmar and spilled over across the northern border of Thailand during 2001-2003. There are two ethnic groups, among the others, that were still strong enough to deal with the government, whereas the rest reached cease-fire agreements with the government since the late 1980s. The Karen National Unity (KNU), who used to fight the government for decades, reached a gentlemen's agreement with the government to lay down their weapons recently. However, before the agreement, their fight against central government troops affected Thailand. The group still fighting, the Shan State Army, the name preferred by the group, or Shan United Revolutionary Army, preferred by the government have neither talked nor signed any peace agreement with the Junta.* Displaced persons from the fighting, including those who fled from human rights violations during the fight, immediately impacted on the Thai side whenever fighting broke out. Given the importance of this problem, the development of animosity among races as a continuing process contributing to ethnic groups' conflicts with the government has to be examined.

The animosity among the different races in Myanmar was caused by three factors, geographical, historical and political, each of which affected co-existence in Myanmar society.

Where geography is concerned, Myanmar is a country with different kinds of physical environments. The existence of low land and high land impeded social integration in the country. Rivers and long mountain ranges in Myanmar impeded the

* The SSA or SSA-south was led by Yod Serk. He and the group separated from the SURA which once struggled with the government with the Mong Thai Army, led by Khun Sa, the notorious drug baron. Later MTA and Khun Sa surrendered to the government. Then, SSA-S split and began fighting against the government on its own.

people's contacts with one another. As Tucker said, "The Salween rises in Central Tibet and runs at furious speed over cataracts and through deep gorges for most of its long route to the sea,....and providing as imposing natural barrier behind which hill peoples such as the Kokangs, Was, Akhas, Lahus, Karens and Mons have sheltered almost entirely free of external interference for most of Myanmar's recorded history".¹ While hill tribe people were living in the deep inner hill areas without outside accessibility, the low land areas were inhabited by the Burmans who believed in their superior culture, intelligence and the right to rule over other peoples living in Myanmar.² The environmental barriers, which have divided the country into many parts, have forced each race to establish their own tradition, culture as well as language.

The settlement of people in the country began separately. Even though the Burmans managed to establish their civilization since the rise of temple city of Pagan, the royal authority of the Burman traditional kingdom could not be imposed on all ethnic races. The relationship between the central royal power of the Burman court and ethnic minorities could be defined as semi-independent relations.³ The ethnic groups had their own administrative systems, cultures and languages.⁴ The integration could only be brought about the warfare. After British colonial power entered Burma, the development of different cultures and civilizations became even more strongly pronounced.

The history of Myanmar's political development was another major factor that contributed to conflicts among races in the country, which turned into a civil war after independence. The British came and caused deep separation among races in the Myanmar society. The British provided the chance for the ethnic groups, particular in the frontier areas, to establish their own authority as well as their own administrative systems, while conducting direct rule over central Myanmar. This was called "Divide and Rule". It

¹ Shelby Tucker, *Myanmar: the curse of independence*. (London: Pluto Press, 2001), p.8.

² Ibid., p.12.

³ Chanvit Kasetsiri, *Myanmar: history and politics*. p.178.

⁴ Ibid.

meant that ethnic minorities such as the Shan and the Karen were recognized as having the right to their own principality. According to Pornpimon Trichote, "... (the British) gave the authority to the British civil servant to rule directly (the Shan State) under the Central government in Rangoon. This independent administration has allowed Shan princes to govern their principality as it had been both administrative and juridical system... Moreover, the British government allowed the Shan to alleviate its local regions to be the Federation of Shan States and established the Federal Council of Shan Chiefs."⁵ Similarly, the Karen nation was developed continually by the British as well. The Karen were not only given a great deal of rights and power in their own territories but were also used by the British as a part of their forces. During the British rule, the Karen were recruited by the British as civil servants as well as soldiers to counter the Burmans. The colonial regime also allowed missionaries to establish schools and hospitals through out the frontier area, which shaped their political and ideological development. Close relations between the British and the Karen were evident when during World War II the latter joined in the fight against the Japanese Imperial Army and its collaborators, whereas the Burmans tried to overthrow the British. The fact that ethnic minority soldiers defended the colony and fought Burmans, who rebelled against British rule, also increased Burmans' resentment towards ethnic nationalities.⁶

The opportunities for ethnic groups to develop their own nations were emphasized by the Panglong agreement, after the Burmans regained independence, as evident in the case of the Shan states. The Shan were accorded the right to secede from Burma after ten years if they were dissatisfied with the central government. At the same time that the Myanmar nationalist leader, Aung San, provided guaranteed autonomy to the Shan and the Kachin, the Karen who had previously failed to achieve an independent or autonomous Karen state during a mission to London, founded the Karen National

⁵ Pornpimon Trichote, The Myanmar government and the ethnic minority groups, p. 59.

⁶ Christina Fink, Living silence: Burma military rule, p. 18

Revolution in February 1947.⁷ Despite living under the constitution providing for the independence of the states for the first ten years, the Myanmar central government tried to interfere with the internal administrative system of the Shan states.⁸ The invasion by Kuomintang (KMT) troops, as well as the Communist Party of Burma (CPB) insurgencies in the Shan States in a later period, legitimized the role of the central government to interfere with the Shan administration. These factors contributed to the Shan joining insurgent movements from that point on. In 1958, Shan insurgents officially rose up against the government when the promised autonomy was denied in 1958.⁹ The Shan State Army (SSA) was formed in 1964. In 1968 the Shan United Revolutionary (SURA) later joined with the Mong Tai Army in 1985, have replaced the power in fighting against the government. However, since 1989 some of these groups have agreed cease-fires with the State Peace and Development Council, especially the MTA of Khun Sa, but the Shan States Army-South (numbering some 3,500 troops) has continued in its armed struggle against the Tatmadaw in central and southern Shan States until today.

On the other hand, the Karen fought against the central government since the very beginning. Right after Myanmar's independence, KNU began organizing militias that would become the Karen National Defence Organization (KNDO) due to the remaining conflicts between the Karen and the Burmans. The operation of KNDO, as of the other insurgencies, took strategic advantages against the government, which could control little more than the capital city. The situation was worsened by the government's action in 1948. Tucker said: "On the Christmas Eve, Myanmar territories under Ne Win's general command hurled grenades in to Karen churches in Mergui District, killing 80 Karens and triggering the defection from the Myanmar Army to the KNDO of Karen Battalions..." However, the incident in Kalawled, Mergui District, forced the KNDO to reorganize. Its formations were dissolved, and the Karen National Union regrouped near the western

⁷ Mike Tucker, The long patrol with Karen guerrillas in Burma (Thailand: Darnsutha Press 2003), p. 5

⁸ Pornpimon Trichote, The Myanmar government and the ethnic minority groups, p. 62.

⁹ Ibid., p.54.

border of Thailand under the 7th battalion of General Bo Mya.¹⁰ Income from border trade across the Thai-Myanmar border allowed the KNU to have effective operations to counter government suppression.¹¹ The KNU was one of the strongest armed groups who fought for their own destiny. As Tucker said, “Half a century later, the Karens are still engaged in their struggle for freedom from the Myanmar Army, or *tatmadaw*. The choices are hard and few: live under the jackboot of the dictatorship-with death always tapping at their shoulder; flee to squalid refugee camps in Thailand-a choice that roughly 180,000 Karen have already made; or take up arms against the dictators.”¹²

Confrontations between ethnic groups, the Shan and Karen in particular, and the military government of Myanmar led the country into a civil war in 1948, ruining the country for decades after. U Nu’s disrespect to the self-determination of ethnic minorities in the 1947 constitution prompted the minorities to take up weapons and fight against the state. After Ne Win took the power in 1962, his sole policy on the ethnic insurgence was refusal to grant independence to them. The 1947 constitution was abolished, and from then on, military means was to be used to resolve conflicts and unify the country. The policy such as Four Cut policy was adopted to massively counter the insurgencies.* Measures of harsh suppression by the government were effectively implemented in the mid-1960s through the late 1980s. But, after clamping down on the protest movement, the military government turned its policy towards the ethnic minorities upside down because of both the political deadlock and the economic recession. This state of paralysis pressured the government to seek cease-fire agreements with all of the ethnic groups as far as possible, instead of relying on the military option as before.

¹⁰ Ibid., p. 99.

¹¹ Ibid.

¹² Mike Tucker, *The long patrol with Karen guerrillas in Burma*, p.5.

* Myanmar Army began the Four Cut campaigns to sever rebel recruiting, intelligence, supply and financial links to the people. (Pornpimon 1999: 189-194)

Cease-fire agreements since the 1989 pushed the fighting between the government and the non-cease-fire agreement groups towards the western border of Thailand.* The ceasefire agreements with the UWSA and Democratic Karen Buddhist Army (DKBA) meant that the Myanmar central government could project its power right up to the Thai-Myanmar border. Operations could be conducted in these areas, often in cooperation with cease-fire agreement ethnic groups. For this reason, the Shan and KNU guerrilla war against the central government became a matter of great concern to the Thai authorities.

Continued fighting caused many problems to occur and affected Thailand. Influxes of thousands of refugees were concrete evidence of the situation. According to the Population and Social Research Institute of Mahidol University, the first flow of refugees from Myanmar started during the time of Ne Win.¹³ In the mid-1970s, as said earlier, the Junta led by Ne Win adopted the Four Cut policy, putting pressure on the ethnic minorities, and caused many of them such as the Mon, Karen, Shan as well as Burmans to take refuge in Thailand. According to the Thai government's record, there were approximately 16,000 people living the country at that time.¹⁴ It was not until the late 1980s that Thailand had to face far larger influxes, involving hundred thousands of refugees. Again according to government sources, after the unrest in 1988, the first political refugees, as the government defined them, crossed the western border of Thailand in 1989, numbering some 97,700.¹⁵ Among them were thousands students who participated in the protest movement.¹⁶ The problem continued until recently. For instance, about 100 Myanmar troops and members of the Rangoon-allied DKBA opened fire with mortars and machine guns on a base belonging to the rebel Karen National

* The first ceasefire agreement was reached by the government and the United Wa State Army in 1989. The agreement provided the Wa to freely operate their authority as well as the economic business.

¹³ Kritaya Archavanichakul, "Myanmar refugees problem's management," in Thailand – Myanmar: Do and Don't, 5 Area Studies Project No. 2, ed. Umporn Jiratikorn (Bangkok, 2001), p. 134.

¹⁴ Ibid.

¹⁵ Ibid., p. 136.

¹⁶ Ibid., p. 138.

Union (KNU) in December 2001.¹⁷ 400 Myanmar villagers fled the clash and crossed the border into Thailand.¹⁸ Also, More than 100 villagers were evacuated from their villages in Ban Therd Thai sub district as scores of stray Myanmar shells landed on their homes due to fighting between Shan rebels and combined forces of Myanmar government troops and their Wa and Lahu allies.¹⁹

Distrust and misunderstanding between the two countries were another side of the problem. During the long civil war between the central government troops and ethnic groups, there were perceptions on the Myanmar side that Thailand had helped the ethnic groups, using them as a buffer. These perceptions were founded on facts. For during the Cold War period, Thailand's policy was to provide help and assistance to any group who was capable of stopping the expansion of communist threat to Thailand.²⁰ Even though the Cold War had ended, such perceptions remained. Fears persisted that Thailand would continue to back these minorities and use them as a buffer like before. According to Chit Kiyiy Kyi Nyunt's article, named "The Bad Neighbor", in the New Light of Myanmar, "When the Tatmadaw began to crush the SURA drug smuggling insurgents under the leadership of Ywet Sit(Yod Serk), Thailand got involved in the matter by giving assistance to the SURA insurgents. Thailand is showing hostilities and making threats against Myanmar. A large number of Thai forces were deployed along the border as a means to show hostilities toward Myanmar."²¹ This issue was published during the border clashes in 2001. This was a reflection of failure in national unity development in Myanmar. Until recently, the government was still been emphasizing the creation of national unity under the umbrella of the military. In an address, Commander-in- Chief of Defence Services, Senior General Than Shew, said: "If sectarian views continue to exist,

¹⁷ The Nation (27 December 2001).

¹⁸ Ibid.

¹⁹ The Nation (27 June 2002).

²⁰ Kritaya Archavanichakul, "Myanmar Refugees problem's management," in Thailand – Myanmar: Do and Don't, p.140.

²¹ Chit Kiyiy Kyi Nyunt, "The Bad neighbor," New light of Myanmar [Online]. Available from: <http://www.myanmar.gov.mm/Article/Article2001/Mar/March1.htm>

they could cause the collapse of national unity... They could also lead to disintegration of the Union and our country may once again lose its sovereignty.”²² In the address, he also insisted on the importance of the role of military, Tatmadaw, in working with the people to combat and annihilate all kinds of threats and dangers that could harm national unity and sovereignty.²³ Until now, Myanmar could not find a solution of national unity among races due to continuing conflicts of different political perspectives and self-consciousness.

Border intrusion was another concern. Though this concern was connected with the unsuccessful efforts to demarcate the borderline between the two countries, the problems were rooted in the political tension inside Myanmar. Seasonal warfare of the Myanmar’s government against the SSA or, called SURA by the government, in 2001 led Myanmar troops to occupy a strategic hill near Ban Pang Noon on Thai territory. The Myanmar Army also took a contingent of Thai rangers hostage after being refused permission to operate inside Thailand.

Lastly, the competition for political power among Myanmar political elite was yet another impediment to Myanmar’s national reconciliation. This competition mainly revolved around the political roles of the military and the National League for Democracy (NLD) in Myanmar. The NLD, led by Daw Aung San Suu Kyi, challenged the power of the State Law and Order Restoration Council (SLORC) during the multi-party election in 1990.* The latter feared that the emergence of Aung San Suu Kyi and the NLD could bring diverse people together and seriously challenge the military-backed National Unity Party and ultimately the legitimacy of the military regime itself. Thus,

²² Myanmar Times (31 March- 6 April 2003)

²³ Ibid.

* Due to the political turmoil and demonstration all over Myanmar in August 1988, General Saw Maung as the new ruling Junta staged a coup in 18 September 1988 with the harsh suppression. The State Law and Order Restoration Council (SLORC), with General Saw Maung as the top leader, became the new ruling mechanism in Myanmar. Discontent in Myanmar still remained so the people expected a promise of change. Just a day after the coup, General Saw Maung, the Chairman of SLORC announced the multi-party election in 1990. NLD was the first party, which registered with the government in 27 September 1988.

pressure was put on the NLD. Its supporters were threatened with serious consequences, and later, just before the election, Aung San Suu Kyi, her party's members and leading student activists were arrested. Despite these pressures, the NLD won 392 of 485, or 80%, of the parliamentary seats. The government refused to accept its landslide defeat and abrogated the results. Since then, led by Aung San Suu Kyi who was awarded the Nobel Prize for Peace, the NLD has continued its struggle for democracy in Myanmar, gaining legitimacy, as well as acceptance both at home and abroad, as the main pro-democracy movement in the country.²⁴ As Fink has noted, "The pro-democracy movement had also benefited from being to set up a nationwide organization structure...members of the pro-democracy movement tried to keep the political focus on honoring the election result..."

The conflict among political elite in Myanmar has remained to this day. One of the major problems of the democratization process in Myanmar has been the ambiguity of the national reconciliation process. After General Saw Maung retired from political duty, General Than Shew immediately took control of the military infrastructure. In order to end the political deadlock in the country, SLORC under its new leader initiated a meeting with elected representatives to co-ordinate the National Convention Convening Commission in October 1992. This National Convention, though aimed at drafting a new constitution, was still under the strong influence of the military, who were mainly concerned with questions of national unity in Myanmar. This was the main reason why the NLD left the convention in 1995, when Suu Kyi was released from six-year house arrest in the same year. It has been more than a decade that Aung San Suu Kyi and her NLD have tried to urge the government to introduce democracy to Myanmar. Unfortunately, there has been no real positive response. The conflict between them continued. Every time that she tried to set out a road trip out of Rangoon in order to meet her thousands of her supporters, she was stopped and later arrested by government

²⁴ Christina Fink, Living silence: Burma under military rule. p.81.

troops.* Aung San Suu Kyi, she was detained again recently. The 30th May 2003 incident was a significant chapter of political elite confrontation. Violence took place and emotions ran high. The people involved were divided into two groups. One was supporting the government, and among this group were members of Union of Solidarity and Development Association (USDA).* At the same time, people who entirely supported NLD and Suu Kyi dared to confront the pro-government side without hesitation. This incident provided a reminder that Myanmar's political society continued to be fragile due to the lack of unity among the people and their political leaders. As a result of the clash, Aung San Suu Kyi was put into a house arrest, which has lasted until now.

Absent are collective rules and regulations governing the political process. It was only recently that the principle of the rule of law was accepted by the military regime, but not by everyone. There continued to be no room for any political party and ethnic minority who was against the military government. Such a political problem provides an opportunity for violence to become a tool for any political group to legitimize itself in the Myanmar political arena. According to Pornpimon, "along with the use of violence, distrust remains another significant problem."²⁵ As long as distrust and misunderstanding prevailed in the Myanmar society, achieving a peaceful co-existence among all sectors of society will not be possible in the near future. The more Myanmar's political unrest remains, the more problems Thailand has to face.

* After her 1995 release, Aung San Suu Kyi was arrested again in 2000 while she was trying to leave Rangoon for meetings with NLD's members. Later, the Myanmar authorities put her under house arrest again in September 2000. At this time, she was detained 19 month before being free in May 2002.

* USDA is one part of government political corps at local level. The organization was founded in 1993 under the control of General Than Shew in order to defend the interest of the regime. Numbers of USDA have been rapidly and massively increasing from time to time. According to Fink, "In the rural area, many farmers joined because they were informed that USDA members would not have to do forced labor building roads and bridges. Others became members so that they could travel without police harassment." (Fink 2001: 95) Since 1996, the military regime turned the USDA into a counter force against the NLD and student activists.

25

Pornpimon Trichote, *The situation in Myanmar: What can and should the international community do?* (Unpublished manuscript), 2004.

Impact of Myanmar's Ceasefire Agreements

During the late 1980s, a major consequence of China's switch to market-oriented policy was the readjustment of insurgent operations of many ethnic minorities in Myanmar, in the northern border areas in particular. Both the government and these ethnic groups began to examine the option of peaceful solution. With almost 50 years of civil war in the country, the fighting has damaged the country as much as one could imagine. Political and economic structures were destroyed. To reverse these trends, a dialogue for peaceful co-existence was felt to be necessary.

The State Law and Order Restoration Council started the process of dialogue, proposing cease-fire agreement to ethnic minorities in 1989. Both internal and external conditions put great pressure on the SLORC to make this initiative. As mentioned earlier, China played a crucial role in influencing the Myanmar government's policy making. The signing of the border and trade agreement between the Junta and the Chinese government was of primary concern for the Myanmar side. China's new economic policy and the agreement mean the end to the Communist Party's insurgency in Myanmar. Needs for natural resources and economic integration became the essential factors for insurgencies in the northern areas of Shan states, who used to get the support from China, and the government to come to terms. In addition, ineffectiveness of the *Burmese Way to Socialism* seriously damaged the country's economy. The fighting had to cease before the economic system could be improved. Lastly, the government's change of policy might have been one of the means used to create a new image for the military regime after their notorious suppression of the students and democracy demonstrations in 1988. Pictures of human rights violations in Myanmar have been conveyed to the world community. This section will explore the effectiveness of cease-fire agreements since the end of 1980s. The question will be raised: What was the main consequence of the central authority of Myanmar's being able to expand its military operations to the frontier with Thailand, to areas which used to be controlled by ethnic minorities? And what was the impact of the cease-fire agreements when the business of some autonomous ethnic groups of became a security threat to Thailand? And what happened when the ethnic groups, who reached an

agreement, became pro-Rangoon armed groups involved in fighting on the Junta's side against the remaining anti-Rangoon insurgencies?

In the late 1980s, Thailand adopted the "Changing the Battlefield into the Market Place" policy. Economic integration and needs for natural resources became the primary concern of both the Thai and the Myanmar governments. So both countries' policies were directed at stopping the fighting in Myanmar, particularly in areas close to the border, in order to boost bilateral trade and investment. The initial consequences of the cease-fire agreement were that it became easier for the two countries' military to confront each other. Cease-fire agreements in the late 1980s strengthened the Myanmar central government's hand. It no longer had to fight these cease-fire groups and could turn its attention to those who have not agreed to a cease-fire. Military pressure was exerted, sometimes in cooperation with some cease-fire groups. Since the mid-1990s, the fighting came close to Thai border. For instance, military operations of the government against the KNU and New Mon State Party (NMSP) were clear indications of the Junta's projection of power into border areas. In 1995, KNU had lost its stronghold in Manerplaw, so several leaders of the KNU retreated over the border to the Mae Sot area of Thailand. Even after KNU leaders began peace talks with the military government, fighting still broke out between government troops and the KNU' brigade near Thai-Myanmar border.²⁶ Also, the cease-fire agreement reduced the military strength of NMSP since a peace agreement was reached in 1995.²⁷ The numerous conflicts between the Junta troops and armed groups which, had yet to reach a cease-fire agreement, still continued in the Mon state, near the Three Pagodas Pass, adjacent to Thailand.²⁸ The results of Myanmar's military operations were increases in both flows of displaced persons to Thailand and opportunities for Thai and Myanmar armed troops to have confrontations. Of course, the relationships between the Thai army and ethnic insurgency

²⁶ Aung Zaw and Shawn L. Nance, "Borderline friends," *The Irrawaddy* [Online]. 2004.

Available from: <http://www.irrawaddy.org/aviewer.asp?a=3300&z=102>

²⁷ Tony Broadmoor, "Precarious Peace in Monland," *The Irrawaddy* [Online]. 2002. Available from: <http://www.irrawaddy.org/aviewer.asp?a=2532&z=102>

²⁸ Ibid.

groups in Myanmar still continued to be questioned by the Myanmar government. As long as the military government could not make an agreement to have a de jure mechanism to solve the problems, distrust and misunderstanding will extend and affect the relations between the two countries in the long term.

While Thailand and Myanmar enjoyed a common interest in exploiting natural resource through concessions, the drug problem in the northern Myanmar gradually began to affect Thailand. Ethnic minorities, who were involved in drug activities after signing a peace agreement, were the Wa under the United Wa State Army and the Kokang minority group. The activities of these two groups became a Thai security concern officially after the 1989.

The drug problem in the North of Myanmar has been linked to the world community since the 19th century. Due to a perfect environment for growing opium, opium was brought into the area after the Opium war in China. The north of Myanmar later became the door for the British to export opium to China after the latter lost the opium war in 1842.²⁹ Since then, the opium problem has been deep-rooted in this area. The opium economy provided financial support for many insurgent groups in the civil war. The KMT and later the CPB troops were also involved in growing opium. Opium plantations and technology became the first hand business and knowledge that the people in the area could rely on. The cease-fire agreements allowed ethnic groups concerned the freedom to earn their own living, and not surprisingly after they were concluded, the Wa and Kokang, which had separated from CPB, began to do so on the basis of the opium economy. * Therefore, one could say that there was a real connection between cease-fire agreements and drug activities in these areas. The main shortcoming of the cease-fire

²⁹ Vorasuk Mahadthanobon, "China in dimensions of Thai-Myanmar conflicts: volume 2," Matichon Weekly (13 August 2002): 31

* The Wa and Kokang minorities groups used to be a part of the communist insurgency in the northern area of Shan State of Myanmar. After China had stopped supporting the communist movement in the region, the groups decided to separate and create their own movement. Moreover, opium economy was attached into these areas for a long period of time. The remote area of Kokang and Wa in the past is the essential factor for the people to grow opium for their life. Poverty is their major concern. However, the opium growing was rooted again in the society during the movement of KMT and later CPB because the guerrilla operation against the Myanmar government needed funding from drug business.

agreements was the lack of provisions for the kind of political, social and economic development, which could sustain the peace process. The agreements were merely military accords, which allowed armed groups to remain in their territories. As long as these armed groups remain armed, fear of confrontation will remain. Such an atmosphere was also an obstacle to genuine economic development. The only way out to avoid poverty in this circumstance is to be involved in the drug business.*

The cease-fire agreements were one of the factors that contributed to the drug problems in Thailand. The first ceasefire agreement was reached with the Kokang or Myanmar National Democracy Alliance Army, establishing the Kokang Special Region No. 1. Several months later, the Wa Special Region No. 2 was given to the UWSA. While Kokang Special region was sharing the power with the Myanmar government, UWSA was capable of directly controlling the region, operating through its centralized authority, with “departments” looking after such responsibilities as agriculture, treasury, health, and external relations. While both had notorious records, the UWSA’s involvement in the drug business was of greater concern than that of Kokang. As the Irrawaddy has said, “In the case of the cease-fire with the UWSA, who formerly comprised the bulk of the CPB’s fighting force, there is also the problem of being closely allied with a group that has been identified as one of the world’s leading drug syndicates. Ironically, as internal military threats have diminished, the risk of conflict with neighbors and others concerned about increasing drug production in Myanmar has grown.”³⁰ It was been reported that opium production in these area rose significantly in the early years after 1989.³¹ As long as the cease-fire agreements meant that the Myanmar government could not control the drug business of the Wa, it meant that one of Myanmar’s domestic problems seriously affected Thailand.

* It has been estimated that there were 350,000 households who cultivated opium poppy in Shan State in 2003 who would earn an average price of opium harvest about 130 US\$/Kg. (UNODC: 2003).

³⁰ The Irrawaddy, “Myanmar’s Ceasefires: More Trouble Than They’re Worth?,” The Irrawaddy [Online]. 2002. Available from: <http://www.irrawaddy.org/aviewer.asp?a=2529&z=102>

³¹ Ibid.

According to the Joint Kokang-Wa Humanitarian Needs Assessment Team, Kokang and Wa Regions were long the major poppy growing areas in Shan States, which constitutes 70 per cent of the total opium produced in the country.³² In addition, UNODC reported in Myanmar Opium Survey that "...cultivation increased by 21% in the Wa Special Region 2, and 6% in the Central Region. As a result, the Wa Special Region 2 now ranks first for opium poppy cultivation, with 34% of the national total, and the Northern Shan Region second with 29%, in 2003."³³ With this large reserve of opium and opium-growing areas, it was inevitable that opium was transformed into the other kinds of drugs.

Despite the fact that a UN agency had become actively involved in reducing drug production in Kokang area, progress was hard to achieve. For the main factor that allowed such extensive opium cultivation to exist was the practice of "profit-sharing" with the central government. Similarly, the cease-fire agreement gave new bargaining power to the UWSA authority to deal with the Myanmar government after 1989. Both sides had a common interest in maintaining the arrangement. As Col. Yod Serk has said in his interview with Irrawaddy in 2003, "First, they (the Myanmar's government) support the people who grow opium. Second, they let drug traffickers and runners run loose in our country. And third they tax them. That's why the problem still persists."³⁴ He strongly insisted that the Junta were massively involved in the drug business within the area by taxing the dug activities.³⁵ Pornpimon also suggested an interesting idea about the drug activities in the UWSA, by referring to the International Narcotic Control Strategy Report in 1999, saying that "there are many political factors that support businessmen to retain their prosperous notorious drug business, one of which is the ceasefire agreement between god fathers and the government. The agreement provides drug business to run

³² The Joint Kokang-Wa Humanitarian Needs Assessment Team, Finally replacing opium in Kokang and Wa special region. Shan State. Myanmar (unpublished manuscript).

³³ The United Nations Office on Drugs and Crime, Myanmar Opium Survey. 2003 Available from: http://www.unodc.org/pdf/publications/myanmar_opium_survey_2003.pdf

³⁴ An interview with Col Yord Serk, "Suspicious in Shan State", The Irrawaddy [Online].

³⁵ Ibid.

their business independently.”³⁶ The independence of the UWSA’s in its own area not only allowed the Wa to run their drug operations freely, but also increased its bargaining power with the Myanmar’s authorities. This was evident in the relocation policy of the Wa people. They were able to move down from Pangsang to Muang Yuan in their tens of thousands, although some observers would say that the relocation policy was one of the consequences of the central government’s drug eradication plan, which was adopted in 1999, to eliminate all opium plantations in the northern areas of the Shan states by 2005.³⁷

These are the problems arising from Myanmar’s internal conflicts and cease-fire agreement processes. Both will continue to be a huge challenge to Myanmar as long as domestic armed troops have not been totally disarmed. The cease-fire agreement did not actually stop the fighting. It is just a *de jure* mechanism for ethnic groups to make their living in peace. But in reality, conflicts in country still remained, and the cease-fire agreements, while ineffective in solving political conflicts, only provided the legal means for some ethnic minorities to expand their drug empire from their strongholds.

Myanmar’s Economic Recession

Recently, almost all of the news agencies in Myanmar had report of the current economic situation in Myanmar. A banking crisis seemed to have caught the eye of economic observers. Part of such a problem has been deep-rooted for years. Thus, the banking crisis can be explained as the consequence of the continuity of unresolved economic problems.

Myanmar’s economic recession was actually caused by economic mismanagement on the part of the military government. After the Myanmar economy

³⁶ Pomponon Trichote, “Drug Situation in Neighboring Countries,” in From Irrawaddy to Salween: the analysis of politics, society, and relationships between Thailand and Myanmar. (Bangkok: Thai Action Committee for Democracy in Burma (TACDB), 2004), pp. 111-112.

³⁷ Pomponon Trichote, “Drug Free Zone: Wa in 2005,” in From Irrawaddy to Salween: the analysis of politics, society, and relationships between Thailand and Myanmar, p. 139.

was opened up to the world, no preparations were made to bring about the kind of policy adjustments or to build the kind of economic infrastructures, which would facilitate the integration of the domestic economy with the world economic system. Reliance on foreign investments and bilateral natural resource trade agreements was not enough. The structure of the economy was thus fragile.

One symptom of this weakness was the financial crisis in early 2003. Under severe pressure, private banks began limiting the withdrawal of money for account holders to only 500,000 Kyat in mid-February, but this was subsequently revised downwards to 200,000 and then 100,000 Kyat, a week.³⁸ The trend of economic gloom was seen in the disorganized state of private service companies contributing to the bankruptcy of general service enterprises.³⁹ Some reports suggested that Myanmar's 20 private banks were financially impaired by the collapse of the private service companies via direct exposure to them in the form of lending and share investments.⁴⁰ Private companies took in deposits, sold shares and conducted other financial activities with the promise of very high returns to investors. Much of their activity was illegal.⁴¹ And such a situation contributed to public panic. Customers of Myanmar's banks attempted to withdraw their money. Apparently, the economic system ran out of the liquidity. Garment factories and construction sites closed down, as they could not even pay daily labor wages.⁴² The banking crisis continued to have a depressing effect on economic expansion. From this aspect, the value of Kyat was pressured downward. The fall in the Kyat also caused the cost of imported goods as well as consumer goods to rise.

³⁸ Sean Turnell and Alison Vicary, "Burma's Banking Crisis: A Commentary," Burma Economic Watch [Online]. 2003. Available from: <http://www.ibiblio.org/obl/docs/BEW2003-03.htm>

³⁹ The Irrawaddy, "Business As Usual," The Irrawaddy [Online]. 2003. Available from: <http://www.irrawaddy.org/aviewer.asp?a=620&z=23>

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

Myanmar's economic performance during the last couple of years seemed to have continued on a declining trend due to both internal and external factors. Economic sanctions from the United States as well as the European Union continued to play a prominent role in Myanmar's economic decline. On the other hand, as just mentioned, Myanmar has just recently faced its banking crisis in 2003, emphasizing the limits of its economic prospects. The GDP growth rate decreased last year. The GDP growth rate in 2002 accounted of 5.3 percent but, simultaneously, decreased into -1.0 per cent at the end of 2003.⁴³ However, the volume of growth in agriculture sector, which the government is much more concerned due to that fact that a large amount of agriculture productivity will sustain the people without importing any agriculture goods from other countries, has constantly expanded as a number of 2.2 per cent each year since 2000.⁴⁴ On the other hand, the expansion of growth in industry and manufacturing sector hugely declined in the recent year. There is -15.9 per cent of growth in industry sectors as well as -32.0 per cent in manufacturing sector.⁴⁵ The poor performance of industry and manufacturing sector may be due to the power cuts, shortages of imported inputs, and weak external and domestic demand.⁴⁶

Moreover, the inflation rate is running high. According to EIU, "the government's decision to ban rice exports in the first half of 2004 contributed to a sharp easing of inflation. When the ban came into effect in January, rice prices plunged by more than 20% month on month."⁴⁷ There are other factors that have contributed to easing inflationary pressure from the year-on-year rates of more than 50% in early 2003, most notably weak domestic demand resulting from the continued liquidity crisis and redundancies among garment factory workers. Myanmar's financial problems have been

43 Economic Intelligence Units. Chulalongkorn University Reference Databases, Available from: <http://www.car.chula.ac.th>

44 Ibid.

45 Ibid.

46 Mya Than, Economic Outlook 2003-2004: Myanmar (unpublished manuscript)

47 Economic Intelligence Units, Chulalongkorn University Reference Databases.

also seen in the grossly overvalued currency. The market rate of one US\$ dollar was equivalent to almost Kyats 1,000, Kyat 620 and 970 in 2001 and 2002 respectively.

The problems of the financial crisis and continuing deterioration of the economic system have not yet been addressed by the government. The economic management of the country remained in the hands of military officers, who were accused of lacking in economic expertise. A repetition of the 1987 crisis continued to haunt the country. At that time, the coup, that installed the military dictatorship of General Ne Win in 1962, ushered in a program under the label of 'the Burmese Way to Socialism'.^{*} The incident resulted in mismanagement of the economy by military officers, who had dominated the country's economic infrastructure ever since. Myanmar's banking sector continued to be dominated by state-owned institutions. The economic system of Myanmar in the mid 1980s began to decline after the fourth Five Year Plan had ended due to the stagnation in the agricultural sector, decline in export earnings, and fuel shortages.⁴⁸ That time, the demonetizations became the government's problem solution. The crisis may repeat itself.

These problems have impeded Myanmar's economic system from progressing towards being the system the country wanted to be. The transformation of Myanmar into a market economy inescapably needed a properly functioning financial system. A functioning financial organization meant a financial system based upon the privatization of state banks, the legitimization of its the existing private banks, and the opening up of this sector to foreign competitors.⁴⁹ But as things developed, banks as central coordinators of economic activities could not serve mechanisms of exchange, allocate or mobilize financial resources, manage risks, protect people from economic fluctuations,

* In the economic term, the policy implemented the economic inward looking policy and economic nationalization policy by creating state owned enterprises.

⁴⁸ Mya Than, "Myanmar in 1986: the year of the snake," *Southeast Asian Affairs* (1987): 127.

⁴⁹ Sean Turnell, "Reforming the banking system in Myanmar: A survey of the problems and possibilities," Paper presented to the 1st Collaborative International Conference of the Myanmar Studies Group, Gothenburg, Sweden, 21-25 September 2002 (Online). Available from: http://www.ibiblio.org/obl/docs/Turnell_bankreform.htm

and allow access to foreign exchange.⁵⁰ Currently, the Myanmar Industrial Development Bank is the only financial institution established to assist private industry.⁵¹

The Myanmar industrial sector also lagged behind. Despite the promulgation of a liberal economic policy in 1988, privatization is still insignificant. The same old problems remained. According to Khin Maung Nyo, "The system still rests on state monopoly and intervention."⁵² So the state still largely owned and controlled all modern industry including firms involved in the production of machinery, equipment and transportation.⁵³

Apart from what has been mentioned, the social infrastructure in Myanmar has also remained weak. Problems of healthcare, education and other human security needs have not been addressed. All these factors discouraged external investors from coming in and encouraged internal investors to move out. As long as the government still persisted in attaching sole priority to regime security, there could not be economic improvement, requiring social and human security as the fundamental base. This concern was expressed by Myat Soe who said: "All social services in Myanmar, including the country's health and educational systems, have suffered terribly over 40 years of military dictatorship. Basic infrastructure has been neglected; priorities are decided and funds allocated on a military-ideological basis rather than according to real needs. The military regime's spending priorities focus on procuring weapons and expanding its army."⁵⁴ The Myanmar armed forces have been estimated to be the second largest in Southeast Asia and the 15th

⁵⁰ Sean Turnell and Alison Vicary, "Burma's Banking Crisis: A Commentary," Burma Economic Watch [Online].

⁵¹ Min Zin, "Waiting for an industrial revolution," The Irrawaddy [Online], 2003. Available from: <http://www.irrawaddy.org/aviewer.asp?a=3049&z=104>

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Myat Soe, "Myanmar: dialogue or die," Mizzima News [Online], 2004. Available from: <http://www.mizzima.com/archives/nf/2004/nf-18-may04mvatsoe29.htm>

largest in the world.⁵⁵ Without a diversion of resources from the security sector, there could not be the kind of economic and social infrastructure and human security, which could form the foundation of economic expansion.

Moreover, the economic system is also connected to the political system. The current political situation within the country has caused a decline in the external confidence in the Myanmar economy. Political reforms have not been brought about despite the government-initiated road map and national reconciliation process. The continued detention of Aung San Suu Kyi, the leader of the country's largest opposition party, the NLD, reflected the SPDC's real intentions more clearly than its road map. According to Min Zin report, whether Myanmar could improve its economic situation or not depends on political change in the country.⁵⁶ As long as the people in the country did not feel safe enough in their political situation and society, economic development would not take place.

Lastly, Myanmar's economic problems point out clearly the differences in structure and level of development between the economy of Myanmar and that of Thailand. Therefore, transfer of human capital was inevitable. The problem could be worsened by the need of a Thai economy which is about to recover from 1997 crisis. Cheap labor is being demanded by the Thai economic system. Moreover, illegal migrants working in Thailand could sustain Myanmar's economy in some respects due to mass amount of money flowing back to Myanmar. At least 500 baht per person will be sent back to their relatives in Myanmar every month. Therefore, if we calculate the number of estimated illegal migrants in Thailand with the amount of repatriated money, there would be approximately 500 million baht a month sent back to Myanmar. Flows of economic refugees as illegal migrants will go on. Recently, it is estimated that there are more than a

⁵⁵ William Ashton, "The arms keep coming-but who pays?," The Irrawaddy [Online]. 2004. Available from: <http://www.irrawaddy.org/aviewer.asp?a=3759&z=104>

⁵⁶ Min Zin, "Waiting for an industrial revolution," The Irrawaddy [Online].

million refugees in Thailand including those who came to register with the Thai government and those who did not.*

However, millions of illegal migrants have not caused problems in Thai-Myanmar relations directly. They are needed by Thai entrepreneurs, and the problem is overlooked by the Myanmar government because Myanmar can profit from it. From Myanmar's perspectives, illegal migrants are people that the government does not like and it is better that they are living and working in Thailand, so they can send money home. Therefore, having migrants in Thailand helps the Myanmar government sustain its economic situation and help ease economic pressure on the country. However, millions of illegal migrants have caused indirect problems for bilateral relations, for over the longer term such issues as human trafficking, drug abuse, communicable diseases and refugee repatriation would have to be addressed in the conduct of bilateral relations. Whenever Thai government has a strong stance on these issues, they can affect the relationships between the two neighbors.

In conclusion, even though Myanmar's domestic problems seemed not to have caused a direct impact on Thai-Myanmar relations during the period of this government, they are problems, which will have to be addressed in the longer term. For instance, political uncertainty from both confrontations between the Myanmar central government and ethnic minorities or political competition with the NLD, together with economic deterioration in Myanmar, will increase the flow of refugees and displaced persons to Thailand, affecting the two countries' relations. Despite the fact that Myanmar government seemed not to consider these problems important, they will definitely cause and prolong distrust and misunderstanding between the two countries. Good relations do not mean that there are no problems. However, it might be due to the fact that both governments chose to overlook these important factors in order to strengthen and tighten the relationships. Nevertheless, in my perspective, the role of the Red Wa and Myanmar's

* According to Thai official, there are approximately 600,000 – 900,000 Myanmar refugees in Thailand in 1999. Kritaya Archavanichakul, "Myanmar refugees problem's management," in Thailand – Myanmar: Do and Don't, p.134.

relocation policy have played a significant role in causing problems in the relations. The influence of the Red Wa and its bargaining power with the central government have resulted in the expansion of drug activities along the border. Drug came closer to the Thai border when the Red Wa were allowed to move south to areas adjacent to the north of Thailand, just as a matter of convenience for Myanmar central government. This increased the chances of direct confrontations between the two countries.