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**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION
DIRECTORATE B**

- POLICY DEPARTMENT -

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Mr.Chairman,

Ladies and Gentlemen

I am very grateful for the opportunity to speak to you here to-day as a European citizen ; while I am an official of the European parliament, I speak here to-day in my personal capacity and do not represent officially any EU institution. This being said I am also very grateful to the organizers to have a chance to discuss the way forward as regards Myanmar. The title of the session is revealing: regardless of the opinion of each of us on the past, what really matters is the future. What matters is what is happening to the 52 million-plus Burmese citizens.

The tropical storm Nargis that struck the Irrawaddy delta on 3 May, causing a disaster of unknown proportions in Burma, is another proof of the importance to express our solidarity with the Burmese population and to move away from the current deadlocked situation.

1. The EU assessment of the current political situation

The September 2007 popular events in Yangon and the violent repression by the junta have, once more, shocked the world. The need to take rapid steps for transition to a legitimate, civilian government that would lead to inclusive national reconciliation and address the appalling socio-economic situation of the country, is obvious for all but apparently not for the generals in power.

The protests were first a popular expression of economic difficulties; later on they took a political turn; the uprising was spontaneous, barely organised and leaderless: there was no organised structure (be it political or from the civil society) that could make political advantage of the situation. The junta may not escape unhurt of those events as Buddhists monks are highly revered in the country but it remains to be seen if the uprising will be remembered as having had any impact on the political landscape or if it will end up as just another paragraph in history. The opacity of the regime is such that most theories trying to anticipate the future are speculation more than anything else. The *seven-step road map to democracy* itself was until recently lacking transparency.

What we saw during the last few weeks does indeed not bode well for the future: the draft constitution foresees restrictions on the eligibility for high political office, allows the military to keep a controlling minority in the future parliament and to suspend the constitution at will, and fails to accommodate the country's ethnic diversity. The referendum on 10 May was devoid of any democratic legitimacy as the opponents were prevented from campaigning and are subject to a jail sentence of at least three years if they call for a No vote . The UN Special Rapporteur on Human Rights in Burma Paulo Sérgio Pinheiro summarised it all when he said : "*How can you have a referendum without any of the basic freedoms ?*". And with the refusal of the Burmese

authorities to allow international observers, as proposed by UN Special Envoy Ibrahim Gambari, the referendum lost any last semblance of credibility.

As for the 2010 elections, little is known at this stage and therefore little can be said. But the way the constitution was drafted, excluding the opposition as well as the major representatives of the ethnic groups, and the referendum organised, does not give ground to optimism. It is not clear which parties will be allowed to participate in those elections. But the junta-created USDA (Union Solidarity and Development Association), that is notorious for attacks on ASSK and for the repression last September, is being transformed into a political party with the obvious objective to control the voting process and win the elections. After miscalculating the results of the 1990 election the generals have learned from experience and are unwilling to leave much to chance this time.

On 9 February 2008 Burmese state radio declared that it was "*a suitable time to change from a military to a democratic civilian administration*". Was General Than Shwe's decision to set a timetable for the roadmap just another delaying tactic to please the international community and block the UN's efforts or can it bring real hope for reconciliation?

2. The EU approach to Burma/Myanmar

The EU has had a common position on restrictive sanctions since 1996. The current range of sanctions consists mainly of a visa ban and a freezing of assets of members of the military regime and their cronies and a prohibition of making credit available to state-owned enterprises. On 15 October 2007 the EU Council decided to increase direct pressure on the regime through stronger measures as well as additional restrictive measures on exports, imports and investments

in the sectors of logs and timber and mining of metals, minerals, precious and semi precious stones. The impact of these economic measures has however to be evaluated with regard to the availability of alternative buyers and the current level of trade relations between the EU and Burma/Myanmar which represent less than 5% of total Burmese trade .

Those measures were confirmed and renewed for a further twelve months by the EU on 29 April. The Ministers also expressed full support for the good offices of Mr.Gambari, called for the immediate release of all political prisoners and for an international embargo on arms exports to the regime. Targeted financial sanctions to prevent access to international banking services by leading military officials and their business partners are also on the books. At the same time the EU "*reiterated its readiness to review or amend these measures in light of developments on the ground*".

The EU approach is however not a sanction-only approach but a balanced policy that combines pressure with incentives to change and where sanctions are part of broader toolkit: there is indeed a strong commitment to the welfare of the people of Myanmar. Humanitarian assistance provided inside Burma under the current EU Burma Country Strategy Paper focus on health and education with a budget of Euros 32 million (50 million USD). The EU-funded Three Diseases Fund (a programme to combat HIV/Aids, tuberculosis and malaria) has replaced the Global Fund that withdrew from Burma in 2005 after intense pressure from US-based groups. Further assistance is provided on a large scale to support the Burmese refugee camps along the Thai border.

Flexibility and a multi-fold approach are therefore important concepts in the EU strategy towards Burma.

There is wide consensus that sanctions have not worked so far: the EU is well aware that they are, and will, remain ineffective as long as the close neighbours of Myanmar do not join in. The EU therefore stresses the importance to coordinate with China, ASEAN and India and plans to intensify its close consultations with those Asian partners through its recently appointed Special envoy for Burma/Myanmar Piero Fassino while maintaining its entire and full support for the UN efforts.

3. The Role of ASEAN, China, India seen from the EU perspective

It is largely agreed that China's support is a key factor in maintaining the SPDC in power through its military assistance, its trade relations and its diplomatic support at the UN . China has indeed been looking at Burma as a supplier of natural resources and a direct route to the Indian ocean for many years. (Timber, gems, natural gas and oil are the main Burmese exports to China. The PRC is building a pipeline directly linking its landlocked Yunnan province to the Gulf of Bengal and has massively invested in roads and railways.) China has become Burma's second largest trading partner, is by far the largest arms supplier and has military advisers in the country. Above all China wants a stable and predictable neighbour and would not accept chaos particularly in the year of the Beijing Olympic games.

China is without doubt Burma's most influential neighbour and clearly any effort Beijing would make to persuade the regime in Burma/ Myanmar to pursue national reconciliation and progress towards democracy would be welcome. But China's interests differ widely from those of the western countries so why would they make such efforts?

Contrary to the findings of a report by South Africa's Archbishop Desmond Tutu and former Czech president Vaclav Havel China does not think that Burma is a threat to regional security and peace. It is however concerned by the lack of flexibility of the military junta, its negative attitude towards national reconciliation and by the deals between ethnic groups and the regime in Yangoon which provide a certain degree of autonomy to regions close to its border.

Maybe more importantly China is not happy with the SPDC lack of understanding of economic matters which prevents economic development to take place in Burma, and therefore economic growth in the region, that could directly benefit China. Its policy of constructive help for economic development rather than sanctions or calls to support a democratic reform could be an avenue through which the Chinese may accept to put some pressure on the Burmese to reform as they would clearly see a win-win situation in increased trade and investment : a more open and developed Burma is obviously in the interest of China.

China's wish to be recognised internationally as a responsible stakeholder suffered a setback, a year before the Beijing Olympics, when it was drawn into the spotlight with unflattering media coverage on Burma and the support it provides to the junta (but the pressure put on China has run out of steam following the Tibet events in March). China's role as regional power indeed implies responsibilities as well, including towards the local population : this could bring Beijing to assume a larger role by pursuing a more proactive policy that could push the generals to engage with the opposition and the international community.

India is engaging in new diplomatic initiatives with the Burmese regime : Delhi believes that political reconciliation between the military and ASSK is the only alternative but uses its leverage in a very prudent way as Delhi is in direct competition with Beijing for energy sources

and enhanced trade opportunities. Contracts for oil and gas exploration and to develop the port of Sittwe in the Bay of Bengal were signed since the September 2007 events. India is also improving relations with the military regime in an effort to compete with China's growing political influence in the region and it therefore refrains from strongly condemning the junta. Moreover almost all of India's seven north-eastern states are troubled by separatist movements, and Delhi is banking on the junta to chase out the Burma-based rebels.

But the world certainly expects India, the largest democracy in the world, to do more to achieve some respect for the internationally recognised rights of the Burmese people and to actively work with the Burmese regime towards a genuine political reform process that would engage all political parties and ethnic minorities.

Burma/Myanmar is a member of ASEAN since 1997 and the regional group's philosophy remains based on a strict non-interference principle as the recent adoption of the ASEAN Charter has confirmed. ASEAN issued however on 27 September 2007 an unusually strong statement condemning the use of violence and calling on the junta to resume efforts at national reconciliation and towards a peaceful transition to democracy. ASEAN fully supports the UN efforts to launch a dialogue between the two sides but this may also look as a recognition of its own failure to obtain results.

However the UN, with its repeated calls for an inclusive dialogue, appears to have been sidelined and the meetings between ASSK and the junta's liaison officer during the last months have not brought any results towards reconciliation. Many diplomats consider the last visit by Gambari as a failure and Gambari himself has recognized that he had achieved no results.

The new Government in Thailand is unfortunately reviving the policy adopted during the Thaksin years that concentrated exclusively on the economic ties between the two countries. As a frontline country and the next ASEAN chair, Thailand's position is carefully watched. Many analysts think that the most efficient sanctions would be financial sanctions, particularly if the Singaporean government would freeze the Burmese generals' assets. But this appears to have been ruled out by Singapore's Foreign Minister who said that Singapore does not want ASEAN to sanction Burma. At the moment the Philippines stands out as the "hardliner" linking ratification of the ASEAN charter to the release of ASSK.

What does the EU expect from ASEAN? The EU is pressing ASEAN to intervene and encourage a fellow Member State to listen to the international appeals for reform for its own economic interest and regional stability. ASEAN can take the diplomatic lead and play a strategic role in finding a solution to a problem that has a terrible impact on the association's image and relations with the rest of the world. For example the on-going negotiations for an EU-ASEAN Free Trade Agreement are running into much difficulty mainly because of Myanmar.

4. The way forward

What therefore should be done to open the political process and bring about real change in Burma/Myanmar? What is the way forward? The generals and their brutal regime are apparently more in charge than ever before but the need for a major shift in socio-economic policies and political strategy is also more urgent than ever before.

There are of course different schools of thought but we all agree that the record of the military government in public health, education, economic development, natural resources management, or democracy is appalling and its concerns appear to be limited to security, order and maintaining national unity and its power by all means.

The western countries have been the most vocal ones in their criticism of the regime and the most eager to impose sanctions. Western sanctions do send a strong political message, particularly the arms embargo, and visa ban, and as such have their own symbolic value. But twenty years of economic sanctions clearly have had minimal effect on the regime as the country's neighbours continue to trade and invest in Burma. The military, more than any other part of the population, can withstand another 20 years of isolation just fine. Moreover, while sanctions and boycotts are used by the military to explain the country's economic difficulties they do not stop business; they just make it more expensive, a point clearly made by the private sector in Rangoon.

Others believe that sanctions, and the very limited presence of the international donor community, have been counter-productive and have prevented the country to progress economically and politically by supporting the isolation policy self-imposed first by the SLORC and then the SPDC. Sanctions actually have had more impact on the population than on the generals: they have destroyed the textile industry and kept employment in the tourism sector at a very low level (statistics show that 260 000 tourists visit Myanmar a year compared to 13 million in Thailand, a country of roughly the same size). This strategy has also reduced western leverage on Burma to close to zero.

So the question remains: what strategy would be more likely to promote those most needed changes? It is time to reflect on the sanction-only approach supported by some countries: is isolating a regime which has adopted isolation as its main strategy the right answer? Is regime change a viable alternative in a country always prepared to disintegrate among its ethnic groups and where state structures, other than the army, are nearly non-existent?

The first goal of any strategy should be to assist the people of Burma/Myanmar on their path to sustainable development: this is what democracy is all about. The poorest people of Burma have a right to better livelihoods and should not be penalized for the country's political stalemate. In the current situation international assistance is needed to achieve this goal : in this strategy, humanitarian and development aid would be immediately increased to tackle the terrible poverty resulting from the policies of the regime. The EU Country Strategy Paper 2007-2013 approved by the European Commission is a step in that direction but other donors and the international financing institutions should also move in. Support to build-up the nation is needed as well: civil society organisations and the public administration are in dire need of assistance in order to be able to play a meaningful role in the transition period. Development aid should not be used as a carrot : actually it is a way to challenge the regime by emphasizing its failures.

Foreign aid will however not be sufficient : one need to address the collapsing economy through an economic package that will bring into the country much needed expertise, knowledge, new ideas and innovation. Internet and mobile phones made it possible for the world to see the repression in Rangoon last September. If the boycott called for by some activists had been enforced, those modern technological means would not have been available and the repression would have gone, like in 1988, mostly unnoticed. Many analysts believe that the isolation of Burma/Myanmar, imposed by the current generation of military, should be broken down. By

exposing the country to the outside world, it will be more and more difficult for the SPDC to hide their economic and political shortcomings to their own people.

The debate on this strategy is on-going and particularly on the link between delivery of such an economic package and progress against political reform and human rights benchmarks.

To move forward one has to leave behind the rhetoric, look at the country's problems beyond the struggle between ASSK and the generals (while supporting the need for talks between the two sides) and talk, like it or not, to those who are in total control of the country. Then the conditions for political change may emerge in the future. Without dialogue there is no hope for change. This would require an international consensus on Burma something that has largely been missing so far. It would also require the SPDC to agree to a slow opening up of space for civil society when its top leadership is locked up in its ivory tower and barely understands the dynamics of an open economy.

The human tragedy caused by cyclone Nargis, and the huge humanitarian and infrastructure needs that require urgent and massive measures, may offer an opportunity to engage in that direction. If the leadership fails in its responsibility to provide relief on time to the thousands of victims of the cyclone, through its own incapacity or refusal of international aid, its credibility will take another blow and this might open the door for another generation of military, more liberally inclined, to assume greater control.

Thank you very much for your attention

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