

Title 3—The President

The Secretary of State is authorized and directed to report this determination to the Congress and to arrange for its publication in the **Federal Register**.

GEORGE W. BUSH

THE WHITE HOUSE,
Washington, December 7, 2002.

Presidential Determination No. 2003–07 of December 11, 2002

Report to the Congress Regarding Conditions in Burma and U.S. Policy Toward Burma

Memorandum for the Secretary of State

Pursuant to the requirements set forth under the heading “Policy toward Burma” in section 570(d) of the Fiscal Year 1997 Foreign Operations Appropriations Act, as contained in the Omnibus Consolidated Appropriations Act (Public Law 104–208), a report is required every 6 months following enactment concerning:

- (1) progress toward democratization in Burma;
- (2) progress on improving the quality of life of the Burmese people, including progress on market reforms, living standards, labor standards, use of forced labor in the tourism industry, and environmental quality; and
- (3) progress made in developing a comprehensive, multilateral strategy to bring democracy to and improve human rights practices and the quality of life in Burma, including the development of a dialogue between the State Peace and Development Council and democratic opposition groups in Burma.

I understand the attached report was not forwarded due to an administrative error.

You are hereby authorized and directed now to transmit the attached report fulfilling the above-stated requirements to the appropriate committees of the Congress and to arrange for its publication in the **Federal Register**.

GEORGE W. BUSH

THE WHITE HOUSE,
Washington, December 11, 2002.

Conditions in Burma and U.S. Policy Toward Burma for the Period September 28, 2001–March 27, 2002

Introduction and Summary

Over the past 6 months, Burma’s military government and the National League for Democracy (NLD) General Secretary Aung San Suu Kyi have continued confidence-building measures that are reportedly aimed at supporting a transition to democracy and civilian rule. Both sides have held

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the substance of these talks in strictest confidence, but the past 18 months has seen the release of approximately 250 political prisoners, and a halt to the vicious attacks on Aung San Suu Kyi and the NLD by the government-owned press. Unfortunately, the process has moved very slowly. Of particular concern is the continuing house arrest of Aung San Suu Kyi.

The quality of life in Burma during the past 6 months has deteriorated. Poverty is widespread, and the economy increasingly shows the effects of a growing government deficit, rising inflation, shortfalls in energy supplies and growing foreign exchange shortages. Severe human rights abuses are commonplace, particularly in ethnic minority areas, where there are continuing reports of extrajudicial killings, rape, and disappearances. Due to continuing severe restrictions on religious freedom, Burma was again designated a "country of particular concern" in 2001 under the International Religious Freedom Act. Prison conditions are harsh, despite access to the prisons by the International Committee of the Red Cross. One retired university rector was also detained and sentenced to 7 years in prison following his one-man protest calling for new general elections.

Forced labor remains an issue of serious concern. In September 2001, an ILO High Level Team visited Burma to assess the situation and concluded that the SPDC had made an "obvious, but uneven" effort to curb the practice; nevertheless, forced labor persisted, particularly in border areas. In March 2002, the government reached agreement with the ILO on appointment of an ILO liaison officer in Burma, pending establishment of a permanent ILO office.

Burma is also one of the world's largest producers of illicit opium, heroin, and methamphetamines. However, its overall output of opium has declined by two-thirds over the past 5 years, in part as a result of bad weather and in part as a result of eradication efforts. It has also stepped up law enforcement operations against some former insurgent groups (particularly the Kokang Chinese) and considerably improved its counter-narcotics cooperation with China, Thailand, and other neighboring states.

United States policy goals in Burma include progress towards democracy, improved human rights, a more effective counternarcotics effort, counterterrorist cooperation, resolving MIA cases from WW II, and addressing the HIV/AIDS epidemic which threatens regional stability and prosperity. We hope that the on-going talks between Aung San Suu Kyi and the military will lead to meaningful democratic change and national reconciliation. We consult regularly, at senior levels, with countries interested in Burma that share our goals.

In coordination with the European Union and other states, the United States maintains sanctions on Burma aimed at encouraging transition to democratic rule and greater respect for human rights. These include an arms embargo, an investment ban, and other measures.

Measuring Progress toward Democratization

From September 2001 through March 2002, Burma's military regime continued talks with the NLD's General Secretary, Aung San Suu Kyi. Since the talks began 18 months ago, we have seen the release of approximately

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250 political prisoners, including all but 20 of the MPs elected in 1990 and all of the NLD's Central Executive Committee members with the exception of Aung San Suu Kyi. The regime has also halted the virulent attacks on Aung San Suu Kyi and the NLD which had become a staple of newspaper coverage in Burma. In addition, the military government has allowed the NLD to reopen 32 party offices in Rangoon Division and to resume some normal party activities. These included public meetings on Burma's National, Independence and Union Days, all of which were attended by Ambassadors and Chiefs of Mission from the United States, the United Kingdom, Australia, and other countries. The NLD, in turn, has moderated its public criticism of the regime and announced that it is now prepared to work with the regime on political transition.

Over the past 6 months, the regime has gradually increased access to Aung San Suu Kyi, who has been under house arrest since the talks began in 2000. Visitors have included U.N. Special Rapporteur for Human Rights Paulo Pinheiro, U.N. Special Envoy Razali Ismail, the ILO's High Level Team, representatives of the European Union and U.S. Deputy Assistant Secretary of State Matthew Daley, among others. Aung San Suu Kyi is also now in daily contact with fellow NLD members, including NLD Chairman U Aung Shwe, and NLD Vice Chairman U Tin Oo. The abrupt postponement of U.N. Special Envoy Razali's planned March 19 visit to Burma is of particular concern, especially in light of approval for other meetings. The connection, if any, between this event and the arrest of members of Ne Win's family is unclear.

The United States welcomed the confidence-building process between the government and Aung San Suu Kyi and the release of political prisoners and resumption of some NLD activity. However, we have also urged the regime to move beyond confidence building to a genuine political dialogue with Aung San Suu Kyi that would chart the course for a return to democracy and civilian rule. Critical next steps include release of all remaining political prisoners, the unconditional release of Aung San Suu Kyi from house arrest and increased political rights and freedom of operation for the NLD and other political parties.

Counternarcotics

Burma is one of the world's largest producers of illicit opium, heroin, and methamphetamines. However, its overall output of opium has declined sharply in recent years. In 2001, Burma produced an estimated 865 metric tons of opium, barely one-third of the 2,560 metric tons of opium produced in Burma 5 years earlier. Unfortunately, as opium production has declined, methamphetamine production has soared, particularly in outlying regions that are governed by former insurgents. According to some estimates, as many as 800 million methamphetamine tablets may be produced in Burma each year.

There is no evidence that the government is involved on an institutional level in the drug trade. However, there are reliable reports that individual Burmese officials in outlying areas are either directly involved in drug trafficking or provide protection to those who are. In addition, while the government has encouraged ethnic insurgents who have signed cease-fire

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agreements to curb narcotics production and trafficking, it has only recently begun to take aggressive law enforcement actions to control these activities. Over the past 6 months, the Burmese Government has cracked down particularly hard on the Kokang region controlled by Peng Jiasheng's Myanmar National Democratic Alliance Army (MNDAA), which had pledged to be opium free by 2000. With the assistance of the People's Republic of China, the Burmese Government staged a series of arrests of major traffickers in all areas of the Kokang, including Laukkai, the capital of Kokang State.

In other areas, the SPDC has moved more cautiously. In areas controlled by the United Wa State Army (UWSA), the principal drug-producing and drug-trafficking organization in Burma, the government has slowly expanded its administrative presence, but has not yet attempted any aggressive law enforcement operations comparable to those in the Kokang region. The Wa have pledged to end all opium production in their territories by 2005. The United States has urged the government to take law enforcement action and exact other forms of pressure against the Wa narcotics operations even before that deadline is reached.

There have also been significant improvements in Burma's cross-border cooperation with neighboring states. In 2001, Burma signed memoranda of understanding on narcotics control with both China and Thailand. The MOU with China established a framework for joint operations, which in turn led to the series of arrests and renditions of major traffickers in 2001 and 2002. The MOU with Thailand committed both sides to closer police cooperation on narcotics control and to the establishment of three joint "narcotics suppression coordination stations" at major crossing points on the border. Thailand has also provided a grant for a crop substitution project in the Wa-controlled regions of southern Shan State. In addition, Burma participated actively in a series of quadrilateral meetings (China, Burma, Laos, and Thailand) on narcotics control that were held in Thailand, Burma, and China in late 2001 and early 2002.

Under pressure from the Financial Action Task Force (FATF), which designated Burma as a "non-cooperating" state in June 2001, the Government of Burma has a draft of a new money laundering law, which will reportedly address many of the FATF's concerns. That law, as well as a new Mutual Legal Assistance Law, facilitating Burmese legal and judicial cooperation with other states, should be enacted in 2002.

Despite these recent steps, the United States does not believe that Burma's counternarcotics efforts are commensurate with the scale of the narcotics problem in Burma. We work with the GOB on annual opium yield surveys in Burma, and through UNDCP on opium reduction and crop substitution programs. In September 2001, the United States pledged an additional \$1,000,000 to support UNDCP's Wa Alternative Development Project, which has helped reduce opium production in the territories of the United Wa State Army, but made utilization of these funds contingent on the mobilization of matching funds from other donors.

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The Quality of Life in Burma

Burma remains one of the world's poorest countries with an average per capita GDP of approximately \$300, according to World Bank figures. Primarily an agricultural economy, Burma also has substantial mineral, fishing, and timber resources. However, almost 4 decades of military misrule and mismanagement have produced a chaotic economy characterized by widespread poverty.

Over the past 2 years, a growing government deficit, shortfalls in energy supplies and continuing foreign exchange shortages have hampered economic activity and contributed to a rapid depreciation in Burma's official currency, the kyat. Valued at approximately 360 kyat to the dollar in September 2000, that rate has now risen to approximately 840 kyat per dollar in March 2002 and is expected to rise further over the next 3 months. At the same time, inflation has picked up speed. According to an urban retail price index calculated by the U.S. Embassy, cumulative, point-to-point inflation from January 1, 2001 to January 1, 2002 totaled approximately 52 percent.

Widespread and severe human rights abuses also continued throughout Burma during the reporting period. In ethnic minority areas, in particular, there were many reports of extrajudicial killings, rape, and disappearances. Significant numbers of ethnic minority refugees continue to seek asylum in Thailand. Due to severe restrictions on religious freedom, Burma was again designated a "country of particular concern" in 2001 under the International Religious Freedom Act. Prison conditions remained harsh, despite access to prisons by the International Committee of the Red Cross. During the reporting period, only one political activist was detained for the expression of a dissenting political view; in early December, Dr. Salai Tun Than, a retired university rector and graduate of the University of Wisconsin, was arrested and sentenced to 7 years in prison for passing out leaflets in front of Rangoon's City Hall which called for a civilian government and general elections.

Forced labor also remains an issue of serious concern. In November 2000, the International Labor Organization (ILO) Governing Body concluded that the Government of Burma had not taken effective action to deal with the use of forced labor in the country and, for the first time in its history, called on all ILO members to review their policies toward Burma to ensure that they did not support forced labor. The United States strongly supported this decision.

In recent months, the Government of Burma has indicated that it is more willing to work with the ILO. In September 2001, an ILO High Level Team concluded that the GOB had made an "obvious, but uneven" effort to curtail the use of forced labor, but that forced labor persisted, particularly in areas where the government was waging active military campaigns against insurgent forces. It also recommended that the ILO establish a permanent presence in Burma. A second ILO team visited Burma in February 2002 and eventually reached agreement on the appointment of an ILO liaison officer, pending the establishment of a permanent ILO office in Rangoon. However, the government has not been willing to address two other ILO recommendations: appointment of an ombudsman for forced labor issues,

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and an independent investigation of allegations that villagers in Shan State were killed after complaining to the military about forced labor.

The regime has released approximately 250 political prisoners since the initiation of talks with Aung San Suu Kyi, including approximately 70 over the past 6 months. In response to an appeal from U.N. Special Rapporteur Pinheiro, it has also released, on humanitarian grounds, 318 women prisoners who either had small children or were pregnant. Even with these releases, more than 1,000 political prisoners still remained in prison or under detention in Burma as of March 2002, including over 600 NLD members.

International monitoring of human rights in Burma also improved to some degree in 2001. For the first time in 6 years, the Government of Burma permitted visits (in April and October 2001, and then again in February 2002) by the United Nations Special Rapporteur on Human Rights in Burma. It also allowed the International Committee of the Red Cross to visit all prisons in Burma and reportedly has responded to some ICRC recommendations about prison conditions.

Development of a Multilateral Strategy

United States policy goals in Burma include progress towards democracy, improved human rights, a more effective counternarcotics effort, counterterrorist cooperation, resolving MIA cases from WW II, and addressing the HIV/AIDS epidemic which threatens regional stability and prosperity. We hope that the on-going talks between Aung San Suu Kyi and the military will lead to meaningful democratic change and national reconciliation. We consult regularly, at senior levels, with countries interested in Burma that share our goals.

The United States has co-sponsored annual resolutions at the U.N. General Assembly and the U.N. Commission on Human Rights concerning Burma. We have also supported ILO's unprecedented decision on Burma given Burma's failure to deal effectively with its pervasive forced labor problems. Most importantly, we strongly support the mission of the U.N. Secretary General's Special Envoy for Burma, Razali bin Ismail, who has helped facilitate the regime's talks with Aung San Suu Kyi. We are increasingly concerned that the Burmese regime is not permitting Mr. Razali to visit Burma with the regularity or frequency needed at this stage of the process.

In coordination with the European Union and other states, the United States has imposed sanctions on Burma aimed at encouraging democratic transition and greater respect for human rights. These sanctions include an arms embargo, a ban on all new U.S. investment in Burma, the suspension of all bilateral aid, the withdrawal of GSP privileges, the denial of OPIC and EXIMBANK programs, visa restrictions on Burma's senior leaders and opposition to all new lending or grant programs by the World Bank, the IMF, the ADB and other international financial institutions in which the United States has a major interest. We downgraded the level of our diplomatic representation from Ambassador to Chargé d'Affaires in 1989 and have maintained at that level.