

Ending Our Isolation in Asia

By Stanley A. Weiss

The recent release of Aung San Suu Kyi from house arrest, after deeply flawed elections that allowed the military in Myanmar, also known as Burma, to tighten its half-century-long grip on the country, raises numerous political questions: What comes next for her? Will the ruling junta engage her newly reconstituted National Democracy Party? Will other political prisoners be freed?

While political headlines are filled with uncertainty, recent business headlines are not. It was reported last month that Chinese companies had invested \$10 billion in Myanmar's economy from January through May. A Thai-Italian partnership signed a \$10 billion contract Nov. 2 to build a massive industrial zone on Myanmar's coast - a project that Myanmar's dictator, Senior Gen. Than Shwe, reportedly views as "an experiment in opening the largely state-controlled economy." More than 30 companies, from Russian to Indian to French, are engaged in oil and gas exploration across Myanmar.

Yet while American companies' interest in doing business in Myanmar has increased, Reuters reported last month, Western sanctions continue to prevent American participation.

Washington's claim on the moral high ground is admirable, if one sets aside the fact that the only people who continue to suffer from Western sanctions are the 50 million people of Myanmar. After nearly two decades of U.S.-led sanctions that have sought to isolate Myanmar's military rulers, it is increasingly clear that the only nation really isolated in Southeast Asia today is . . . America.

By refusing to engage Myanmar because of its repressive practices, Washington has forced that country's leaders - who have no idea how to construct a modern economy - to emulate the nearest successful model: China. Than Shwe recently said as much, proclaiming his desire to "emulate China's remarkable . . . transformation into one of the most successful capitalist stories ever."

A longtime American observer of Myanmar who was recently in Southeast Asia told me: "A senior official from one country said, 'Our people won't even buy your jeans anymore, such is the grass-roots backlash. By abandoning the people of Myanmar to China, you Americans have squandered moral stature as the world's savior.'"

But that perception could still be changed, he added. "The real issue in Myanmar lies in the business sector. This is where Yankee ingenuity can lead by example."

With the election over, America should do four things:

First, recognize that further sanctions mean surrendering Myanmar to China. There is a good reason sanctions haven't worked: Too many others don't recognize them. The dissident news agency Mizzima reported in July that from 1988 to early 2009, Myanmar attracted foreign investment

worth \$15 billion. In 2011-12, according to the Irrawaddy news agency, the junta expects foreign investment to top \$16 billion.

For China, which recently approved \$90 billion in soft import-export loans for the junta, Myanmar represents a wealth of natural resources as well as direct access to the Indian Ocean - which is why Beijing is building oil and gas pipelines from Kunming, in southwest China, to the port of Kyaukpyu in Myanmar. By 2012, they will carry 85 percent of China's imported energy.

If the U.S. response to last month's elections is, as rumored, a ban on U.S. dollar transactions with Myanmar, "China would have a blank slate in Myanmar for years to come," says the longtime observer.

Second, focus on capacity building. Myanmar's economy was neglected for decades. Efforts have been made recently to build up foreign reserves, improve dialogue with international financial institutions and issue bonds to finance the nation's 2009-10 budget deficit (a departure from its practice of printing money).

Washington should work with the Association of Southeast Asian Nations (ASEAN) to build capacity in Myanmar - starting with governance training for newly elected leaders and the revival of the financial sector. ASEAN has incentive to participate: Myanmar, a member, remains the biggest hurdle to a U.S.-ASEAN free-trade agreement and to ASEAN's goal of regional economic integration by 2015.

Third, rebuild the agricultural sector. Seventy percent of Myanmar's people live in rural areas, and agriculture accounts for 40 to 50 percent of gross domestic product. Before World War II, Burma was the world's biggest exporter of rice. Misguided government policy has squandered that legacy. America should work with the U.N. Development Program and ASEAN to help build a bank-based rural credit system to bring Myanmar's rice economy into the 21st century.

Fourth, link the West's economic sanctions to Myanmar's economic policies. Currently, Western sanctions will be lifted only if political benchmarks are met. Those carrots have proved ineffective. They might be productive, however, if linked to economic concerns such as respect for private property, the lifting of arbitrary restrictions on private business and the creation of a working credit system. Economic benchmarks led to political change in Korea, Indonesia and Singapore. For Western companies eager to enter new markets, it could be a huge opportunity.

A century ago, Burma's economy was the region's crown jewel. Korea and even China considered it a role model. The recent election was deeply flawed, but it provided hope for a new beginning. It's time to end the U.S. isolation in Southeast Asia and engage Myanmar.