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U.S. Policy Toward Burma

Introduction

Mr. Chairman, Senator Inhofe, and Members of the Subcommittee, thank you very much for inviting me here today to testify about U.S. policy toward Burma and the remarkable developments that have been unfolding in the country. Many Members of this Committee and in the Congress have been key proponents of human rights and democracy in Burma over the past two decades, and I am sure you all are following events with as much hope and interest as we do at the State Department.

We have been the first to acknowledge that engagement with Burmese authorities early in this Administration was a profound disappointment. We expected that it would be a long and slow process, but the lack of progress from late 2009 to mid-2011 was nevertheless disheartening.

As some have said, “That was then, this is now.” Following the formation of a new government in March 2011, positive changes have emerged ranging from the release of political prisoners, to new legislation expanding the rights of political and civic association, and a nascent process toward ceasefires with several ethnic armed groups. Secretary Clinton has become actively involved, including her historic visit to Burma in December 2011, where she met senior Burmese government officials including President Thein Sein and opposition democracy leader Aung San Suu Kyi, who has been an inspiration to many around the world, including the Secretary, for her steadfast efforts to bring a more free and

prosperous life to her people. She also met with a variety of civil society and ethnic minority representatives.

Because of President Obama's and Secretary Clinton's far-sighted leadership and the hard work of our first Special Representative and Policy Coordinator for Burma, Ambassador Derek Mitchell, the Burmese government has engaged with the United States in candid and constructive exchanges, leading toward concrete progress on our core concerns over the past nine months.

In both its words and actions, Burmese officials have demonstrated increasing signs of interest in political, economic, and social development, and national reconciliation. Although we assess this nascent opening as real and significant, we also believe it is fragile and reversible – as Secretary Clinton said on April 4, “the future in Burma is neither clear nor certain” —and therefore, we need to carefully calibrate our approach to encourage continued progress. Additionally, the impact of Burma's reform efforts has not extended far beyond the capital and major cities. This is particularly true in ethnic minority areas: Fighting continues in Kachin State, coupled with reports of severe human rights violations. In Rakhine State systematic discrimination and denial of human rights against ethnic Rohingya remains deplorable. Overall, the legacy of five decades of military rule --repressive laws, a pervasive security apparatus, a corrupt judiciary, and media censorship -- is still all too present.

The initial reforms are only the beginning of a sustained process and commitment required to bring Burma back into the international community and toward more representative and responsive democratic governance.

Political Reforms

The election of Aung San Suu Kyi and 42 other NLD members is the most recent and dramatic example of the political opening underway in Burma, a culmination of several reforms that together constitute an important step in the country's democratization and national reconciliation process.

Overall, the NLD won 43 of the 44 seats it contested, losing one seat to the Shan Nationalities Democratic Party. Though contesting in all 45 constituencies, the ruling Union Solidarity and Development Party won only a single seat. Less than 7 percent of all seats in Burma's bicameral legislature were at stake, but the participation and victory of the NLD could give Aung San Suu Kyi a role and voice in government for the first time in the country's history. The new parliament

convened on Monday, April 23, but NLD members including Aung San Suu Kyi have not yet taken their seats due to concerns about the Parliamentary oath. We hope the government and the NLD will work toward a mutually satisfactory resolution of this issue soon to enable the NLD to take their newly won seats and begin this new era in Burma's politics.

In the run-up to the by-elections, we consistently emphasized that the results needed to be free and fair and reflect the will of the Burmese people. We also underscored the importance of an inclusive and open electoral process from the campaign phase to the announcement of results. While not perfect, the by-elections were a significant step forward in comparison to the 2010 elections, which we and others in the international community strongly condemned as neither free nor fair. In advance of the by-election, the Burmese government's amendment of certain election-related laws enabled the NLD, which authorities had dissolved in 2010, to register and participate. The campaign process was more inclusive than in the past with the NLD and 16 other parties participating.

A few days before the April 1 vote, the government invited a number of international representatives and foreign media from ASEAN, ASEAN dialogue partners including the United States and the European Union, and the United Nations to witness the polling. We asked representatives from the National Democratic Institute and the International Republican Institute to be present, and the Burmese government invited several U.S. journalists to cover the elections. Poll watchers had access to polling stations to survey the voting and the vote count. While they reported some irregularities, including questions with voter lists and security of ballot boxes, overall, the election demonstrated a smooth and peaceful voting process. In addition to the formal diplomatic observation tour coordinated by the Burmese government, authorities also permitted U.S. embassy officers and diplomatic colleagues to informally watch voting activities on election-day. The Government of Burma did not, however, establish an adequate framework and allow sufficient access for election monitoring or observation to be conducted according to international standards.

Ahead of the vote, several problematic process issues arose. Before the elections, the government cancelled polling in three constituencies in Kachin State, citing security concerns. We also monitored closely credible allegations of election-related irregularities. Aung San Suu Kyi and the NLD raised concerns publically and privately about inaccurate voter registration lists, reports of irregularities with advance voting procedures, and local intimidation, including a violent attack at a campaign event in the Naypyitaw district, in which an NLD

supporter was injured. We assess that these incidents, while troubling, did not appear to reflect a government-directed effort to skew the outcome of the elections. Although the by-elections marked an improvement from the 2010 elections and a step forward in Burma's reform process, we note that much work remains to be done as we look forward toward the next general election in 2015.

In addition to the parliamentary by-elections, we are encouraged by several other notable political reforms in Burma, including progress on some of our longstanding human rights concerns. The Burmese government released over 500 political prisoners in October 2011 and January 2012 amnesties. These releases included the most prominent civic leaders and pro-democracy and ethnic minority prisoners of conscience. Many of these individuals had been imprisoned for over 20 years.

The Burmese government has also made progress toward preliminary ceasefire agreements with several ethnic armed groups including the Chin National Front (January 2012), the New Mon State Party (February 2012), the United Wa State Army (September 2011), and the Shan State Army-North (January 2012). For the first time in 63 years, the Burmese government and the Karen National Union (KNU) entered into a preliminary ceasefire agreement in January 2012, and began follow-up peace discussions the week of April 4 on a host of political issues at the heart of Burma's longest running internal conflict. Earlier this month, KNU representatives from Thailand traveled to Rangoon and Naypyitaw for landmark meetings with President Thein Sein, Aung San Suu Kyi, and several government ministers.

These efforts to halt the fighting are important initial steps, but must be followed by genuine dialogue and negotiations to address the long standing political and economic grievances of ethnic minority populations in Burma including issues of cultural autonomy, natural resources, and power-sharing with the ethnic Burman-dominated central government. Fighting continues in Burma's Kachin State despite periodic ceasefire talks.

The Burmese government has also pursued important legislative initiatives in support of political reform. Parliament passed and President Thein Sein has signed an International Labor Organization-endorsed labor law allowing workers to form labor unions and protecting freedom of association. The government has revised other legislation to define, prohibit, and criminalize forced labor in Burma, and authorities signed a memorandum of understanding with the International Labor Organization in March to take proactive strides to eliminate all forms of

forced labor in Burma by 2015. In addition, Parliament passed and President Thein Sein signed a new law in December 2011 to protect the rights of citizens to peacefully assemble.

The Burmese government has also taken a variety of measures to relax media censorship. Today, Aung San Suu Kyi's image, her political activities, and her meetings with world leaders are widely covered in local and even in state media. While most news is still subject to censorship, restrictions have been eased on television and the internet, including on exile news sites. The Burmese government has recently provided access for a range of foreign journalists for the first time including from the Voice of America and Radio Free Asia. The government has also started to host its first press conferences and engage with civil society on the topic of press and media freedoms.

Economic Reforms

In addition to the notable political reforms I have highlighted, the Burmese government is proceeding with a strong program of economic reforms. After decades of mismanagement, Burma has become the poorest country in Southeast Asia with approximately one-third of its population living in poverty. In January, for the first time, the Burmese government agreed that International Monetary Fund (IMF) staff could publish a detailed summary of the conclusions of their 2011 Article IV consultation with the IMF. This year, the IMF consultation addresses issues and challenges facing Burma as it transitions to a more market-based economy, including needed reforms related to the exchange rate regime, trade policy, monetary policy, and fiscal policy. A summary was not only posted on the IMF web site, but was also published, in the Burmese language, in Burma's state-owned newspaper. We have called on the Burmese authorities to release the full text of the Article IV Staff Report, and we hope that they do so.

A primary distortion in Burma's economy has been the use of multiple exchange rates. Burma's multiple exchange rate system is highly inefficient, limits access to foreign goods to all except well connected entities, and creates opportunities for corruption. On April 2, Burma's Central Bank aligned the official exchange rate close to the prevailing parallel rate, an important first step reforming the exchange rate regime. The Central Bank is now posting the official daily rate on its website and allowing the exchange rate to move in line with market forces. There will be teething problems as Burma's financial sector adjusts to this important reform, but it is a necessary first step for a broader agenda of

economic reforms that we hope will improve the responsiveness of the government to the needs of the people.

In addition to exchange rate reform, the Burmese government has discussed the country's budget in Parliament for the first time. Members of Parliament and the government discussed budget allocations and in March published an approved budget in a state-run newspaper. Budget allocations for the military remain grossly disproportionate, however, at 16.5 percent of the total budget. Allocations for health and education were 3.25 percent and 6.26 percent of the total budget, quite low by regional standards. At the same time, however, Burma reduced the relative share of its military budget in its FY 2012 budget, and allocations for health and education quadrupled and doubled respectively. Authorities have also eased some import and export requirements and drafted a new Foreign Investment Bill.

As businesses consider investing in Burma, it will be critically important to actively promote a strong corporate social responsibility ethic through active engagement with our regional and like-minded partners as well as with the Burmese government and local communities. We will also engage the Burmese government to apply non-discrimination principles and to create a "level playing field" for foreign investors. Moving forward, we believe that by addressing these investment-related concerns, the private sector, including many U.S. companies, will be able to play a positive role in contributing to justice, development, and reform in Burma.

U.S. Response

Over the past year, we have carefully responded to evidence of change in Burma with increased outreach and concrete actions. As I noted above, the President's decision to ask Secretary Clinton to visit to Burma in late 2011 marked a turning point in our engagement policy, sending a strong signal of support to reformers both inside and outside of government, while never mincing words about our continuing concerns.

During her visit, Secretary Clinton clearly articulated our commitment to partnering with and supporting Burma on the path of reform and committed to a strategy of matching "action-for-action." Since his appointment in August 2011 as the first U.S. Special Representative and Policy Coordinator for Burma, Ambassador Derek Mitchell has played a key role in driving this effort. He has traveled to Burma, along with numerous other senior State Department officials, nearly on a monthly basis, engaging officials in Naypyitaw and consulting with

key leaders of civil society, including Aung San Suu Kyi, ethnic minority groups, and the pro-democracy opposition to further catalyze concrete action on our core concerns.

The actions we have undertaken thus far have been measured and meaningful. During Secretary Clinton's visit to Burma, we announced that we would resume cooperation on counternarcotics and operations to recover missing U.S. personnel from World War II, which the Burmese government suspended in 2004. We also pledged our support for assessment missions and technical assistance by international financial institutions and pursued a temporary waiver of trafficking in persons sanctions to fulfill this commitment. Following the substantial release of over 250 political prisoners in January, we responded with an announcement regarding our intention to upgrade diplomatic ties to exchange ambassadors.

More recently, we have announced additional U.S. actions. On April 4, Secretary Clinton announced five key steps that the United States would take to respond to Burma's parliamentary by-elections and the progress that they signified. We announced our intention to re-establish a USAID mission at our Embassy in Rangoon, lend U.S. support for a normal UNDP country program, authorize funds to be sent by private U.S. entities to Burma for nonprofit activities, facilitate travel to the United States for select Burmese officials and parliamentarians, and begin a process to ease the bans on the exportation of U.S. financial services and new investment. Since that announcement, the Treasury Department has issued a general license authorizing certain financial transactions in support of humanitarian, religious, and other not-for-profit activities in Burma, including projects for government accountability, conflict resolution, and civil society development.

In terms of easing the bans on the export of U.S. financial services and new investment for commercial activities, we plan to proceed in a careful manner. We will also work closely with the U.S. Department of the Treasury to reexamine and refresh the Specially Designated Nationals list.

We have taken important steps on the assistance front as well, which my colleague from USAID, Assistant Administrator Nisha Biswal, will address. I will say, however, that in the immediate term, the State Department has announced new activities for microfinance and health, particularly in ethnic minority areas, based on our consultations with civil society in Burma. Special Representative Mitchell launched an interagency scoping mission to Burma to assess opportunities and

obstacles to Burma's transition and to align U.S. assistance efforts in a manner that promotes the overall reform process, directly benefits the people of Burma, and alleviates poverty, particularly in Burma's rural areas.

We continue to emphasize that much work remains to be done in Burma and that easing sanctions will remain a step-by-step process. We have pursued a carefully calibrated posture, retaining as much flexibility as possible should reforms slow or reverse, while pressing the Burmese government for further progress in key areas.

We have serious and continuing concerns with respect to human rights, democracy, and nonproliferation, and our policy continues to blend both pressure and engagement to encourage progress in all areas. While we recognized the momentous release of prisoners last January, we continue to call for the immediate and unconditional release of all political prisoners and the removal of conditions on those released. The State Department's Bureau for Democracy, Human Rights, and Labor estimates at least several hundred prisoners of conscience are still behind bars. Through an upcoming human rights dialogue, we will engage officials on developing a credible, transparent, and inclusive process to identify remaining political prisoners of conscience, seek access to prisons for international organizations, and press for the immediate release of all political prisoners unconditionally. We have also spotlighted our concerns regarding remaining political prisoners in human rights resolutions at the UN General Assembly and the UN Human Rights Council, which we have supported or co-sponsored.

In every interaction with the Burmese government, at every level, we are also urging the immediate halt to hostilities in Burma's ethnic minority areas, particularly in Kachin State, where fighting has continued at varying levels of intensity since the ceasefire lapsed in June 2011. We have consistently urged unfettered access for United Nations and humanitarian agencies to Burma's conflict zones. This access is crucial so that the international community can assess needs and attempt to assist tens of thousands who have been displaced as a result of the fighting. While the Burmese government has recently allowed limited access to UN agencies to deliver assistance to certain areas of Kachin State, we are pressing for regular and sustained access to all areas, including those controlled by the Kachin Independence Army, to provide humanitarian aid to internally displaced persons (IDPs). In March, the United States contributed \$1.5 million in assistance to the United Nations High Commissioner for Refugees (UNHCR) to support IDPs in Kachin State.

We also remain concerned by serious human rights violations against the ethnic minority Rohingya people who are denied citizenship and human rights, such as freedom of movement and freedom to marry, among other rights all people should be able to exercise. We will urge the Burmese government, including through a human rights dialogue, to pursue mechanisms for accountability for the human rights violations that have occurred as a result of fighting and discrimination in ethnic areas. We will also continue to spotlight continued abuses in Burma at the United Nations and other multilateral and regional forums including ASEAN.

While we are pleased that the NLD, Aung San Suu Kyi's pro-democracy party, has been allowed to re-register and participate in the political process, the degree to which reforms are genuine and irreversible will be reflected in the amount of political space the opposition parties will have and the amount of dissent the government will tolerate in the coming weeks and months. We will continue to monitor the democratization process carefully, including the issue concerning the parliamentary oath, and urge the Burmese government to take steps, in terms of both policy and legislative reform, to promote greater civic openness and support for a vibrant civil society and more free media.

Much more needs to be done on the legal and institutional front for the government to definitively break with its legacy of the past. Dozens of oppressive, arbitrary, and unfair laws used to convict political prisoners remain on the books and new laws need to be effectively implemented to make a true difference in the lives of the people.

In addition to continuing human rights and democracy concerns, we remain troubled by Burma's military trade with North Korea. This is a top national security priority, and we will continue to press the government on this issue. We are collaborating closely with the EU, ASEAN, and other key regional partners including South Korea, Japan, and Australia to stress to Burma the importance of full compliance with UN Security Council Resolutions 1718 and 1874 and to underscore to senior Burmese officials the seriousness of this matter and its potential to impede progress in improving our bilateral ties.

We will also continue to urge the Burmese government for greater transparency on nonproliferation. We were encouraged by public assurances from senior officials, such as Lower House Speaker of Parliament Thura Shwe Mann in January 2012, that Burma has no intention of pursuing a nuclear weapons program and is committed to full compliance of all its international nonproliferation

obligations. We have encouraged the Government of Burma to signal its commitment through concrete actions such as signing and ratifying the IAEA Additional Protocol, updating its Small Quantities Protocol and improving cooperation with the International Atomic Energy Agency.

Conclusion

As we look forward, there is a great store of goodwill within the international community to re-engage Burma, re-build its capacity, and re-connect with the Burmese people, should the reform process continue. Though the challenges that lie ahead are daunting, the efforts of the resilient and diverse people of Burma are as inspiring as ever.

Let me finally take a moment to acknowledge the leadership of Congress in promoting change in Burma. So many members of Congress have demonstrated consistent and personal commitment over many years to democratic reform, human rights, and the welfare of the Burmese people – and many of you have traveled to the region in recent months to see for yourselves conditions on the ground and meet with the reformers themselves. We are grateful for your efforts, and we look forward to consulting closely with you as we continue to support a brighter future for Burma.

I am happy to answer any questions you may have.