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ECONOMIC DEVELOPMENT IN BURMA 1951-1960

BY LOUIS J. WALINSKY



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TO

J. S. FURNIVALL, THADO THIRI THUDHAMMA

1878–1960

In appreciation of his profound scholarship,
humanity and wisdom, and of his dedicated service
to his beloved Burma over many decades.

*We must have the capacity to look for our past mistakes, and to learn from
those errors. If we do so, we shall at least enable our successors to avoid
those errors and follow the true path.*

U NU

The Pyidaungsu Policy, September 26, 1959

F O R E W O R D

To capture an individual's experience in the field of political and economic development, and to permit him to reflect upon its meaning while it is still fresh in his mind, has seemed to the Trustees of the Twentieth Century Fund a highly worthwhile objective. Mr. Louis Walinsky represented the case of a man who for several years had been closely involved in the development of post-war Burma; his intimate knowledge of the country's processes of growth and development placed him in a unique position to survey this scene, still comparatively little known to Americans.

The Fund's interest was increased by the fact of its being in the midst of a major survey, under the direction of Professor Gunnar Myrdal, of South Asia. The detailed elaboration of economic development in one South Asian country promised to be helpful to the larger study, now in preparation. Taken by itself, moreover, the study promised to be a significant contribution to understanding of the developmental process. The price many other countries will have to pay for development can be seen in the light of Burma's experience — a price to be judged not only in economic terms, but in terms of effort, sacrifice of old ways, and adjustment to novel methods and values.

Mr. Walinsky in his Introduction has explained the circumstances of his work in Burma. It involved the participation of an American firm of economic consultants, working in close consultation with the country's leaders and planners. The record here presented includes chapters on the social and historical aspects of Burma, on a canvas inevitably wider than the issues of practical, day-to-day planning. That an American economist should have combined his task with so large a perspective and so deep a concern for Burmese life as a whole is in itself encouraging.

Burma is a country which never really resigned itself to a colonial status and struggled against diverse forces to attain a true independence. Its success in creating durable institutions and achieving satisfactory progress is a matter

of importance to the South Asian area and far beyond. The Twentieth Century Fund hopes that this record by a scholar objective and critical in his treatment, yet with a profound sympathy for the country, will make a contribution to American understanding of Burma and also, perhaps, to progress within Burma itself.

AUGUST HECKSCHER, *Director*
The Twentieth Century Fund

41 East 70th Street, New York
March 1962

A C K N O W L E D G M E N T S

I am indebted to many persons for valuable assistance in connection with this study.

A number of friends and colleagues have been kind enough to review the manuscript, in whole or in part, and have given me the benefit of their criticism. Those who have read substantial portions of the manuscript include: U Thant, Acting Secretary General of the United Nations and former Secretary to Prime Minister U Nu (Chapters 1-5); U Hla Maung, former Executive Secretary, Economic and Social Board (Chapters 1-14); Dr. Tun Thin of the International Monetary Fund, former Director of the Central Statistical and Economics Department; Dr. Everett E. Hagen of the Center for International Studies at M.I.T., Chief Economist for Robert R. Nathan Associates in Burma from 1951 to 1953; Dr. John H. Adler of the International Bank for Reconstruction and Development; and Mr. Robert R. Nathan and Mr. A. J. Creshkoff of Robert R. Nathan Associates, the economic consultants to the Government of Burma from 1951 to 1959.

Dr. Antonin Basch of the University of Michigan and Mr. Edward Felder of the Agency for International Development reviewed Chapter 31; Dr. Richard Musgrave of Princeton University, who served as special tax consultant for Robert R. Nathan Associates in Burma on two short-term assignments in 1954 and 1958, reviewed Chapter 25; and Mr. Shigeharu Takahashi of the International Bank for Reconstruction and Development, agricultural economist on the Robert R. Nathan staff in Burma from 1952 to 1957, reviewed Chapter 16. I am grateful to all these gentlemen for their assistance.

I am especially indebted to Dr. Hagen, who read the entire manuscript and most generously cut into his own crowded work schedule to provide me with many helpful detailed and general comments; to Mr. Nathan, who provided me with office facilities and access to his organization's files; and to Mr. A. J. Creshkoff, who helped me locate various materials and prepare some of the statistical tables. Miss Jane Kemon, my secretary, provided unfailing patience,

good cheer and research and editorial assistance, in addition to unusual competence and judgment.

I am indebted to many others, Westerners and Burmese alike, for help in filling gaps in my knowledge for the periods 1951-53 and February 1959 onward. Among these are: Dr. Frank Trager, Professor of International Relations, New York University, and onetime Chief of the T.C.A. Mission in Burma; Mr. Gerald McCarthy, partner in Tippetts-Abbett-McCarthy-Stratton (Formerly K.T.A.), consulting engineers; Col. Homer B. Pettit, onetime General Manager for K.T.A. in Burma; Messrs. John Alexander and Alfred Straus, who served with K.T.A. in Burma beginning in 1951; Messrs. Richard McCaffery and Walter Stoneman of the Agency for International Development; H.E. William P. Snow, H.E. Sir Richard Allen and H.E. E. Ben-Horin, who were respectively the United States, United Kingdom and Israeli Ambassadors to Burma as of early 1961; and many Burmese friends and civil servants to whom, though they shall be nameless here, I am no less indebted. I must, however, acknowledge with thanks the graciousness of the Hon'ble U Nu, the then Prime Minister, in making me his guest during my visit to Burma early in 1961, and the kindness of the Hon'ble U Raschid, the then Minister for Industries, Mines and Labor, in extending to me the facilities I required to bring this study up to date.

It may also be appropriate here to express my appreciation to my former colleagues of the Robert R. Nathan Associates field staff in Burma, whose names are listed in Appendix VII.

I am deeply grateful to the Twentieth Century Fund, which financed this study and made possible my visit to Burma early in 1961 to help complete it. I owe special thanks to Mr. August Heckscher, the Fund's Director, for his never-failing courtesy and consideration.

My wife, Dorothy Monie Walinsky, has enabled me to understand the full significance of the thanks so often expressed by authors to their wives in introductions to books like this. She has been a true partner in the writing of this book.

Lastly, I owe a tremendous debt to Burma, to her leaders and to the many civil servants who, throughout my period of service in Burma, shared with me their experience and insights and accorded me their confidence and friendship. Although this study is a highly critical one, I know they will recognize the sincere friendship and the desire to be of constructive help which motivate it.

LOUIS J. WALINSKY

Washington, D. C.

SOURCES AND USAGE

I have, for the most part, cited the sources for statistical data and other factual information. I have also drawn upon my personal diaries and files, the home office reports and correspondence, the Robert R. Nathan Associates files and my memory.

Certain of the repeatedly recurring source references are given in brief form in the chapters. These are spelled out below. The full names of government agencies that have been frequently designated by alphabetic symbols in the text are also given below. I have used, in tables and elsewhere, the Burmese measures—the crore, the lakh and the kyat. As will be seen from the list which follows, they are simply converted to more familiar measures, and the reader, I trust, will soon find them also familiar.

SOURCE REFERENCES

K.T.A. Preliminary Report

K.T.A. Preliminary Report on Economic and Engineering Survey of Burma for Burma Economic Council, Knappen Tippetts Abbott Engineering Co. associated with Pierce Management, Inc. and Robert R. Nathan Associates, Inc., January 1952.

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K.T.A. Comprehensive Report, Economic and Engineering Development of Burma, prepared for the Government of the Union of Burma by Knappen Tippetts Abbott McCarthy, Engineers, in association with Pierce Management, Inc. and Robert R. Nathan Associates, Inc., 2 vols., August 1953.

Economic Survey of Burma (various years)

This is an annual survey, published by the Superintendent of Government Printing and Stationery of the Union of Burma, Rangoon.

BURMESE GOVERNMENT AGENCIES

A.R.D.C. Agricultural Resources Development Corporation (also later called, Agricultural and Rural Development Corporation and Land Resources Development Corporation — L.R.D.C.)

B.P.I. Burma Pharmaceutical Industry

C.D.C. Commerce Development Corporation

C.S.E.D. Central Statistical and Economics Department

C.S.M.B. Civil Supplies Management Board

E. and S.B. Economic and Social Board

E.S.B. Electricity Supply Board

I.D.C. Industrial Development Corporation

I.W.T.B. Inland Water Transport Board

M.N.P. Ministry of National Planning

M.R.D.C. Mineral Resources Development Corporation

N.H.B. National Housing Board

R.E.S.B. Rangoon Electricity Supply Board

S.A.M.B. State Agricultural Marketing Board

S.T.B. State Timber Board

COMMON BURMESE MEASURES

1 crore = 100 lakhs = 10 million

1 lakh = 100,000

1 kyat (written K 1) = 1 rupee = U. S. 21¢ = 1 shilling sixpence

K 1 lakh = \$21,000 = £7,500

K 1 crore = \$2.1 million = £750,000

\$1 = K 4.76

£1 sterling = K 13.33 = \$2.80

To convert (in the case of dollars, crudely):

From K crores to dollars, multiply by 2 million;

to £ sterling, multiply by $\frac{3}{4}$ million;

From dollars to kyats, multiply by 5;

From million dollars to K crores, divide by 2;

From £ sterling million to K crores, multiply by $1\frac{1}{3}$.

The Burmese ton is the long ton of 2,240 pounds, except in the case of timber, in which round tons are used for logs, and cubic tons for processed timber.

INTRODUCTION

This study in a sense completes a mission I undertook in Burma in September 1953 — a mission which was still incomplete when I left Burma in February 1959. During that time, as General Manager and Chief Economist of the field staff provided by Robert R. Nathan Associates, Inc., economic consultants to the Government of Burma, I served as chief economic advisor to the Government. The job of our field staff, with the advice, assistance and general supervision of the Robert R. Nathan home organization, was to help the Government in carrying out the comprehensive long-term economic and social development program which had just been completed with the assistance of the so-called K.T.A. combined engineering and economic planning team. (The Robert R. Nathan firm had been the economic arm of that combined team from 1951 to 1953, and I had participated in that effort as well, although on a part-time consulting basis.)

The job required our team to advise and assist the Government in periodic adaptations of the long-term development plan; in annual budgeting and fiscal, foreign exchange, capital investment, import and other programing; in formulating central economic policies; in measuring and evaluating program progress; in improving program implementation; and also to perform numerous staff functions, as in foreign exchange control operations and assistance in loan, joint venture and other negotiations; and, in general, to make ourselves as useful as possible. In performing these services, our relations with the Government, its leaders, its organizations and agencies and its officials were continuous and intimate. Our organizational attachments were to the Economic and Social Board and to the Ministry of National Planning, both of which, for most of the period, were headed by the Prime Minister. We were, in effect, part of the Prime Minister's Office, and participated — sometimes as advisors, sometimes as members, sometimes as staff — in every important central standing or *ad hoc* committee concerned with economic affairs, up to and including the Economic and Social Board itself. The agenda and papers for such meetings, when not initiated by our group, almost always included our advisory opinions and comments.

This study is, therefore, unusual in that it has been done, so to speak, from the inside. It has the advantages, but also the possible disadvantages, which derive from the fact that I was a participant — even a partisan — in the experience I have attempted in this study to describe and appraise objectively. But while I have tried to be objective, the reader is entitled to approach the work with some doubt as to my success on this score.

This raises also the question of motivations. Why did I undertake this work? Perhaps I should state first some possible motivations which were not involved. I did not write this book to describe or justify the roles which the Robert R. Nathan firm, my colleagues on the field staff, and I played. These roles would make an interesting story, but the telling of that story is not my purpose here. Our part in the experience does enter into the account, as it must, but to — I believe — a less than warranted degree. Nor was it my desire to “reveal all” in a “Now it can be told” account. Readers who hope to find the study spiced with personal tidbits and revelations will be disappointed. They will find here nothing which, I believe, the chief *dramatis personae* would object to as extraneous or inessential to a serious analysis and appraisal of Burma’s economic development experience in the 1950s. This also applies to the very few citations I have made from key memoranda in my own files.

I undertook this work chiefly because it was a matter of personal necessity, but also because I thought that a case study of Burma’s unique experience in the 1950s would make a useful contribution to the literature on economic development.

Our firm left Burma in February 1959, on the advent of General Ne Win’s Caretaker Government, with its job not yet done. The political split and crisis of 1958 had made it impossible for the A.F.P.F.L. Government to rectify its economic policies, strengthen its public administration, improve its management of the public enterprises and, in general, more effectively implement its development program. Unfortunately the crisis had occurred just when the accumulated experience of the previous years gave promise that the Government would be more receptive to action along these necessary lines. (The Ne Win Government did carry out many such actions, but by then we were no longer there.) This accounts for the feeling of incompleteness with which I left Burma. I wanted to think through the experience, attain as much perspective as I could, and derive from it whatever lessons might be useful to Burma in her further efforts to achieve economic development. Only thus, I felt, could I be truly finished with the job.

This was not, however, my sole motivation. I had had some exposure to problems of economic reconstruction and development elsewhere and, although I had not been able, during my service in Burma, to keep up with the rapidly growing literature to the extent I should have liked, I had a keen interest in this field. I hoped through this study to acquire — particularly by a

consideration of how much of the Burmese experience was of a general, rather than a particular, significance — a better understanding of economic development problems in other countries, and of problems of United States and Western aid policy and practice.

These motivations explain the organization of the study. Since relatively few Americans know very much about Burma as it was before World War II, Part I of this book is devoted to background material — including information on geography and resources, the days of the kings, the British occupation, the structure of the economy just before World War II, and the economic aspirations which accompanied the independence struggle. This material rests on a few sources only and makes no pretense to authority. Part II deals with the formulation in the post-independence period of development plans and programs, culminating in the so-called Comprehensive Development Plan of 1953. Part III presents a chronological account of the changing emphases and central problems which concerned the policy-makers and planners from 1952 through 1960. Part IV is devoted to the implementation experience in the public and private sectors, and to the total outcomes and impact of the program. Part V analyzes the many problems — insecurity, manpower, finance, administration, etc. — which affected implementation in all fields. And Part VI, finally, considers the significance of the experience — for Burma, for other countries seeking economic development and for U. S. and Western aid policy and practice.

The book is a long one — perhaps too long. I thought, however, that a full documentation and illustration might be welcomed by two groups of readers — those interested in comparing the Burmese experience with others they know better, and those interested in having an ample basis for drawing their own conclusions. My own involvement in the experience gave especial weight to the latter of these considerations. It occurred to me also that many readers might not wish to wade through the entire book. I thought, therefore, that the several parts should each be full-bodied, so that selective reading might still do justice to that part of the experience with which it deals.

As I reflect on the job I have done, I am conscious that it may convey a distorted picture. I have been so intent upon seeking out and analyzing the weaknesses of Burma's effort that I have failed adequately to portray its many positive accomplishments. The net effect, I fear, despite the record presented in Chapter 20, may be to convey the impression that the entire effort was hopelessly botched, mismanaged and wasted. This was not the case. Much was accomplished. Progress was made. The essential failure of the effort was not that it accomplished nothing; it was that it could — and should — have accomplished so much more than it did. I have concentrated on the weaknesses and failings of the experience, not because I wished to misrepresent it, but because it was from them that the lessons I sought to learn were chiefly

to be found. I hope my Burmese friends, when they read this book, will keep this in mind. I believe many of them will share the view of the former Minister who exhorted me, when I visited Burma early in 1961, to "Make your book really critical. Only in this way can you help."

I complete this study with the conviction that countries seeking economic development, and others interested in helping them achieve it, can learn much from Burma's experience. This conviction was bolstered, while I was engaged on the study, by such reading in the literature as I was able to do, by many discussions with friends and colleagues familiar with development problems in other underdeveloped countries, and by the reactions expressed by a number of young people from these countries. I had the opportunity to speak to these young people about economic development problems in Burma, in connection with their professional studies in this country, and they said to me, in effect, "This all sounds very much like our own problems, at home." The conviction derives even more, however, from the attempt I have made to probe through successive levels of causation from the surface down in order to get to the root causes which explain the shape and course of Burma's experience. These causes, I am sure, are common to most underdeveloped countries which have recently embarked, or are about to embark, upon major economic development efforts.

It is not strange that this should be so. What Burma has in common, in greater or lesser degree, with most underdeveloped countries extends far beyond the much-cited cycle of low income, low savings and low investment; the poor literacy and ill health; the shortages of skilled labor and technicians; the embryonic middle-class and limited entrepreneurial capacities; the tropical or semi-tropical climate unconducive to persistent effort; the economy geared to the use of barter in exchange transactions; and the primitive agricultural sector — all of which are commonly taken as bench marks of underdevelopment.

Burma also shares with the most significant of these underdeveloped countries — particularly with many in Asia and Africa — a colonial heritage; an independence achieved only after World War II; an electorate and leadership unschooled in the ways of democratic self-government; a tendency to equate colonialism with imperialism and capitalism and, hence, strong socialist tendencies and ideology; a strong animus toward foreign influence and position in their economies; an identification of industrialization with development and progress; a civil service and public administration weakened by independence and heavily burdened by new tasks; a desire for a position of neutrality in the international power struggle; and a number of debilitating illusions about the nature and difficulty of the development process.¹ In political terms, Burma also shared with many of these countries a one-party domination of the political scene, a leadership pledged to produce welfare and a

1. India and a few other countries may be exempt from some of this series.

political need to "deliver" it. Finally, Burma has, as do these other countries, a unique and complex set of traditional attitudes, values, behavior patterns and social relations which are, for the most part, not conducive but are even inimical to economic development. (Burma differs in her development problems from most of these countries chiefly in the abundance of her natural resources relative to population, in the considerable World War II damage she sustained, in the civil insurrection she has suffered since shortly after independence, and in her long-term prospects for a favorable balance of international payments.)

These and similar common factors act as built-in brakes on economic development in these countries and offset to a considerable degree the energizing fuels pumped into their development engines in the form of capital investment and technical know-how. While the importance of many of these built-in brakes is fully recognized, the significance of others is not. Among the latter, special attention needs to be given to the roles of ineffective and corrupt public administrations, inadequate civil service organizations and staff, poor management in the public enterprises, misdirected economic policies, lack of appreciation—even when animus is not present—of the contribution to development goals which private individuals and firms can make, impractical personnel and other requirements imposed on foreign investors, and, even more importantly, discrimination against resident alien and minority groups who frequently possess more capacity and initiative for economic activity than do indigenous populations. Also less than adequately appreciated are such factors as the contempt displayed for manual or dirty work, the exaggerated respect and deference paid to seniors, the extended family principle, and the many religious customs, taboos and values, especially those which abhor the taking of animal life and which emphasize giving rather than accumulation.

Reflection on Burma's experience has convinced me that problems of economic development would be eased enormously if some of the hard truths underlying the process were more generally understood in the underdeveloped countries. It would be extremely helpful if they could come to realize that development is not a simple, quick or easy process; that economic development can take place only as part of a broader social and cultural change; that independence does not automatically bring welfare in its wake; that planning, investment and technical assistance, in the absence of effective implementation, do not suffice; and that development cannot enable them, in the next five, ten or even twenty years, to modernize and transform their economies, much less to "catch up with the West." Within such a time span, they cannot even reduce, in absolute terms, the ever-widening gap between productivity and income which exists between the advanced and underdeveloped countries.²

2. If a country with an annual per capita income of \$50, for example, could achieve a growth rate of 4 per cent per year in that income, this would amount initially to an income increase of only \$2 per capita per year — as compared with the \$20 per capita increase in annual income

It is equally important that the underdeveloped countries realize the need for realistic goals and approaches; for patient, persistent and unremitting determination and effort; for sacrifices of present consumption in favor of savings and investment; and for numerous structural and cultural accommodations in their societies and in their ways of life to clear the way for, and to stimulate and foster, the growth process. It is in fact essential that they realize at how high a price development comes. Only as this realization takes hold can their desires and determination to achieve development become truly significant.

But the lack of these awarenesses is itself one of the conditions of underdevelopment. And the communication of such understandings to the people and leaders of the underdeveloped countries is as difficult and challenging a problem as any the West has to solve in its efforts to assist the underdeveloped world. It is my hope that this study may make some contribution to these understandings.

LOUIS J. WALINSKY

Washington, D. C.
June 1961

P O S T S C R I P T

In concluding my appraisal, in Chapter 33, of what Prime Minister U Nu's Pyidaungsu government had learned, and failed to learn, from the experience of the 1950s, I wrote, in May 1961: "Some of the important lessons of the past, it appeared, had been learned only too well; others appeared not to have been learned at all. The confidence of the citizenry had been severely shaken . . . And a new failure might see a new, and this time more permanent, military take over, with unforeseeable consequences for the future of democratic government."

While this book is still at press, early in March 1962, this possibility has been realized. General Ne Win has once again seized control of the government. But whereas his earlier assumption of power in September 1958 observed, at least superficially, constitutional forms, and was pledged, as soon as fair and free elections could be held, to surrender power once again to a duly elected civilian government, the recent action was in open violation of the Constitution and clearly envisages a prolonged period of military rule.

which a Western country would achieve with only a 2 per cent increase in per capita income starting from a base of \$1,000 per year, or the \$40 per capita increase in annual income which the United States would achieve with the same 2 per cent increase in per capita income, starting from a base of some \$2,000 per year. The only feasible near-term reduction in the "gap" then is in the rate of growth. Absolute reduction in the per capita income gap, within say a twenty-year time span, is not foreseeable at all.

Superficially, return of the military government would once again contribute to at least greater national unity, more decisive government and decision-making, improved law and order and social discipline, and more efficient operation of the public services and enterprises, although the realization of even these prospects will depend on the continued passive acceptance by the Burmese people (including the minority groups) of the new dispensation, and on the continued unity and integrity of the ruling military elite. More fundamentally, this unhappy *finis* to Burma's post-independence development effort within a framework of democratic consent should serve as one more dramatic warning to the newly emerged and emerging nations that are currently embarking on the quest for development. It is a warning that the lack of realism and clarity in development goals, ineffective and irresponsible leadership, confused policies and poor administration and implementation, all aggravated by the lack of political accountability in a one-party government, will endanger not only the success of their development efforts, but the very existence of democratic government as well.

Louis J. Walinsky

March 6, 1962

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