

# Bringing Order to Burma's Economy

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*Apparently, the economic policy of the military Government in Burma contains much that is paradoxical. The Government has harmed trading by foreign nationals, including the large number of Indians and Chinese, for long resident in Burma. Yet it has sought to induce investments in industry by foreigners, including these very Indians and Chinese. Again, the military Government has ordered the closure of foreign educational aid foundations. Yet it wants American assistance for the Rangoon-Mandalay highway.*

*In this article the author, who was in Rangoon on the eve of General Ne Itin's coup and visited Burma again a few weeks after the coup, discusses some of the economic policies of the military Government,*

WHEN General Ne Win and his men took over in Burma on an earlier occasion it was with the consent of the ruling political party and, when U Nu won the general election conducted by the caretaker military regime they handed power back to U Nu in a gentlemanly fashion. This time the army has formed a revolutionary Government, throwing out the politicians. It is well known that the immediate provocation for the army move was the Shan pressure for greater autonomy. The army feared that U Nu was incapable of resisting the forces of disintegration. But in its first two months, in power it is in the economic sphere that the military regime has tried to do the most. Though U Nu's unpopular nationalisation of foreign trade, scheduled for March 1, has been postponed, the revolutionary Government has struck hard at the existing pattern of commerce and has implemented measures aimed at thorough reform of the system, from April 1 all foreign firms have been barred from import business except under the open general licence which covers, for instance, automobile tyres, wires, nails, sports goods, edible oils, chemicals and plastics. Even this exception will last only until October 1, a six month grace period to the foreigners, in trade.

## Investment in Industry, Not Trade

Indian traders have the most financial resources in Burma. Their resources are placed between kyats 650 million and kyats 800 million. The Chinese are estimated to have between 400 and 450 million kyats. The army Government wants, these funds to be channelled into industrial investment. So in industry the foreigner is promised an equal Status with the nationals in some

respects. The new Government also wants to reform investment laws to attract foreign investors. The investment committee appointed by it will study the laws in Malaya and Thailand to find out whether similar legislation can be introduced in Burma. But the task of attracting foreign investments will be a difficult one since Burma's record of treatment of foreigners in trade and industry is far from being attractive.

The immediate prospects, therefore, lie in the careful utilisation of the 400 million kyat Chinese loan and use of Israeli assistance in the form of management contracts and joint ventures. The Burmese army at first directly during the caretaker regime and then through the Burmese Economic Development Corporation, made good use of Israeli assistance, some of which was to manage key public sector projects like in shipping and pharmaceuticals.

## No Place for Spectacular Projects

When the army took over in April 1958 it scrapped the development plan then in existence. The second four year plan, evolved on a grand scale by U Nu, now faces a similar fate. The army has called for complete reorientation of priorities and one thing is certain: the army has no use for spectacular showpiece projects like a national theatre or an uneconomic power project (both planned by U Nu with Soviet aid.). The army is essentially socialistic in its approach but its socialism is buttressed with economic pragmatism and administrative skill and is bereft of the religious or spiritual overtones of U Nu's Government.

Take foodstuffs, for example. One of the first steps of the Ne Win Government was to reintroduce

slaughter of cows so as to provide badly needed meat. U Nu had banned beef and the price of pork and mutton had gone up to ten kyats a viss. After the lifting of the ban on beef, prices of pork, mutton and fish have come down. Beef is now sold at 3,50 kyats a viss about a third of the rates for meat before the coup. Other meat costs seven kyats a viss.

The army has also cut down the freight charges on foodstuffs on the railways and other means of inland transport and on the Union of Burma airways. There is also priority for handling perishables like vegetables.

The formation of the high level Economic Insurgency Suppression Committee and announcement of laws against profiteers, hoarders and black-marketeers have brought down prices of several consumer goods. The army did not need to act physically against many traders to effect this disinflation; even the crack of the whip was not necessary. Most shopkeepers in Rangoon started behaving themselves on their own.

The Economic Development Corporation *Unlay* has under its wing thirty three firms, having taken over eighteen firms run by the Defence Services Institute,

## Burma Has a Food Problem

To an outsider who has always heard of large rice exports, the fact that Burma has a food problem is shocking, Burma's problem is that of plenty of rice but absence of a balanced and nutritious diet. There has been little agricultural diversification. The military Government is, therefore, encouraging the people to engage in animal husbandry, poultry farming and fish culture. Animals for breeding

can be imported under an open general licence. The State Bank has been authorised to give loans liberally to breeders.

About forty Chinese experts have been in Burma for some time for preliminary surveys on hydroelectric projects in frontier areas, a paper factory and plywood, rubber, tyre and other plants. The projects will be implemented from next year. Another dozen Chinese experts are to carry out survey for steel plants.

A major part of the Chinese loan and earnings from the trade with China is earmarked for the import of textiles, and the establishment of nine textile mills. These mills are to produce nearly 50 million yards of doth which will replace about ninety per cent of Burma's textile imports which now cost more than 125 million kyats in foreign exchange every year.

Next to China, a major source of foreign goods will be Japan, under the reparations agreement. An early task of the army Government is to re-negotiate the reparations deal to secure more advantageous terms from Japan.

The Fulbright Programme, the British Council, the Asian Foundation and the Ford Foundation have all been asked to stop their work in Burma from October 1. The stoppage of these organisations' work follows a decision by the Government to bar scholarships by foreign agencies or Governments to Burmese for studies abroad.

The Ne Win Government has harmed beauty contests, classical dance competitions sponsored by the Government, and horse racing. The holidays for Buddhist Sabbath are also at an end.

**U S Aid for Rangoon-Mandalay Road**

Apart from the Chinese loan and Japanese reparations, Burma has an old loan from India. Other assistance to Burma is channelled through the United Nations and the Colombo Plan. U S prestige in Burma suffered during the Kuo-mintang rebellion in the northern border areas. The Americans returned to Burma in 1957 but their operations have been severely limited.

During the coup an American trade mission was in Burma and has already made a report in the United States on prospects in Burma. Now the Burmese Government is negotiating for American assistance of about \$ 40 million for the 400 mile long highway to link Rangoon and Mandalay. The Burmese Government is anxious to make hotter use than has been done hitherto of technical assistance under the Colombo Plan. Rangoon has for some years not made the best use of aid offered under the Colombo Plan.

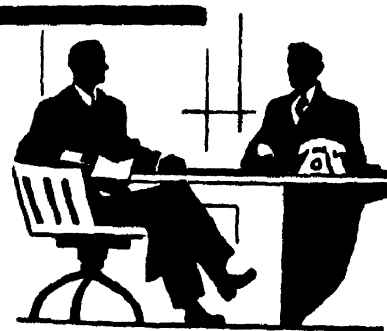
There has been some speculation in the British press about the political complexion of the coup leaders and one report even refers to a "conspiracy of home and foreign reactionaries". This comment also mentions "interested Western parties, including high intelligence officers, busy in Burmese affairs".

**Neutral Policy to Continue**

Burma's policy of neutralism in foreign affairs has been part and parcel of her political philosophy since independence. Ne Win is intimately bound up with this policy and knows well how to steer a middle course between the two blocs.

Those who have tried to paint Brigadier Aung Gyi No 2 in the military Government as pro-Chinese are guilty of oversimplification. True, he got on well with the Chinese and negotiated with them successfully. Talks with the Chinese were the most important problem some time ago, and the army assigned that job to the man it thought to be best qualified. Likewise, Aung Gyi will again be taking the leading part in the negotiations with the Japanese for increased reparations.

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