Chapter 1
A New Light to Shine? Historical Legacies and Prospects for Myanmar's Economy

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1 Introduction: Preconditions for Economic Development

Market development is an essential precondition for economic development, that is, an increase in material welfare for each and every member of society.[1] In turn, political stability and mutual trust among members of a society (citizens) are prerequisites for the development of markets.

In Western economies up to the early twentieth century, these initial conditions were commonly brought about through national unification by way of the formation of nations or, in some cases, city states.[2] Japan's experience was similar. However, in Burma's case,[3] the modern dynasty of the nineteenth century was directly replaced by British colonial rule without the establishment of a nation state. Under dynastic rule, regional markets based on rice agriculture had developed. Each of these markets had its own system of commerce and of artisans. While the Burmese capital

The present chapter summarises the author's thoughts based on the sources listed in the conclusion of this chapter. The author is indebted to Dr. Asuka Mizuno for having introduced him to these studies. However, he alone is responsible for the views expressed herein.

[1] The theoretical rationale for interpreting market development and economic development as being closely interrelated processes comes from Ishikawa (1990).

[2] Iwasaki (1998: 119). The theoretical rationale for national unification being a prerequisite for economic development is not self-evident. The case of Canada, a multicultural federation of states, presents a contrast to the industrial development under a centralised government, such as Japan's (see, e.g. Katô 2009 and Japanese Association for Canadian Studies 2009).

[3] Burma (*Bamar*) is the former name for Myanmar. In this chapter, for the sake of convenience, the old name (Burma) will be retained when discussing events in the country prior to 18 June 1989. After this time the name was changed to 'Myanmar', which is the written expression of the term 'Burma' (Ino 1996: 5–8).

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had been established in the city where the king was situated, its social and political institutions were not taken up by the British colonial government.

Traditionally, Burmese society was not based on the concept of the extended family. Little value was placed on the accumulation of material wealth, but rather the emphasis was on compassion and tolerance towards others. Monks and the elderly were respected, and with the exception of public sphere, men and women were treated equally. Although the use and understanding of the written word was not essential for daily life, at the beginning of the nineteenth century, literacy levels among the Burmese were said to have exceeded those of Western countries (Hagen 1956: 7–10).[4]

In Burma, where peace and tolerance were valued above all, neither a legal system nor the concept of contracts was developed. As villages were highly autonomous, there were few common standards shared among the different communities. The monarch did not possess a standing army, nor did it have systems for maintaining public order or settling legal disputes. Essentially it kept no diplomatic relations with foreign powers and, accordingly, rarely entered into external negotiations. Thus, the Burmese society prior to the nineteenth century was static and lacked the preconditions necessary for industrialisation (ibid.: 11–13).

The succession of chiefs was a matter of inheritance. They were 'leaders' but not necessarily 'rulers' and were sometimes murdered if they failed to rule effectively (ibid.: 9). In addition, the order of succession was not predetermined and was frequently a cause of conflict. Hagen argues that if the royal household had been able to predetermine the order of succession, Burma may have averted British occupation (ibid.: 14). In any case, the Burmese dynasties of the nineteenth century did not exercise a strong, self-independent sovereignty over Burma.

2 Contact with the British Empire

Despite its weaknesses of the Burmese dynastic system, the Konbaung Dynasty was a formidable regional power from the end of the eighteenth century up to the beginning of the nineteenth century.[5] During this period, the dynasty succeeded in overtaking Ayutthaya in 1767, repelling invasions by Qing China in 1766–1770,

[4] According to Hagen, the early modern Burmese society lacked the following three social values, which are motivating factors for economic development: respect for strangers, the dignity of business and respect for the opinions of younger generations. While Buddhism does not discourage technological development, it does not promote savings, which are necessary for the accumulation of capital. The reason why Burmese citizens did not value business may be related to the fact that King Mindon ('Mindon Min') did not encourage existing businesses. In addition, it is argued that the lack of interest in science among the Burmese led them, in part, to an indifference to vocational education and training (Hagen 1956: 61–65).

[5] The last six kings of the Konbaung Dynasty were Bodawpaya (1782–1819), Bagyidaw (1819–1837), Tharrawaddy (1837–1846), Pagan (1846–1853), Mindon (1853–1878) and Thibaw (1878–1885). Details of the rule of each of these kings can be found in Cœdès (1962/1980: Pt. 5, Ch. 3).

conquering the Kingdom of Arkan in 1795 and occupying Manipur and Assam in 1814 and 1817, respectively. Its expansionary doctrine, which amounted to the taking over of other sovereignties, also served as the basis for legitimacy of its rule.

However, as a result of its expansionary policies, the Konbaung Dynasty repeatedly came into confrontation with British troops, particularly when it pursued refugees who had fled into British protected territories. This ultimately led to its defeat in the First Anglo-Burmese War (1824–1826). It is said that the cause of the military conflict lay in 'differences in European and Asian concepts of diplomacy and national borders' (Watanabe 2001: 132–133).[6] Subsequent to the War, disputes continued between the two governing rulers over such issues as each side's territorial borders, diplomatic protocols, commercial treaties, tariff negotiations and the treatment of British merchants. Britain was seen by Burma as an obstacle to its management of national affairs, and Burma was viewed by Britain as a hindrance to the pursuit of its commercial interests (ibid.: 132, 136).

In 1852, Britain seized Lower Burma and unilaterally declared its annexation (the Second Anglo-Burmese War).[7] As Burma had lost its open port and access to supplies such as rice, King Mindon (Mindon Min) attempted to consolidate national power and assert political independence by adopting policies to improve the productive potential of domestic industries (much like the Tokugawa shogunate near the end of the Edo era). Specifically, Mindon Min introduced a standardised national tax system (*Thathameda*),[8] attempted to centralise government administration[9] and moved towards 'modernisation' by adopting Western science and technology.[10] However,

> the attempt to centralise government was met with fierce resistance from various domestic factions that stood to lose power, throwing the country into a state of chaos. Due to the influx of cheap imports, the majority of state-owned factories, which attempted to increase the nation's productivity, ended up being a sinkhole for national funds (ibid.: 136).

[6] According to Watanabe (2001), in premodern Burma, 'the periphery (of the territory) depended on the central, core region. The nation took the name of the capital. The extent of [center's] influence changed with the brightness of the central core' (p.139). As a result, 'the outer boundaries were not well-defined, and were, by nature, ambiguous and fuzzy' (p.139). However, within this 'premodern' concept of elastic territorial borders, there were some attempts to incorporate a 'modern' notion of geography-based, fixed borders (pp.138–149).

[7] There is no doubt that, from the British perspective at the time, Burma was seen as being of the utmost importance as a source of food (rice) for British India. The primary reason why Britain annexed lower Burma after the First Anglo-Burmese War was precisely to fulfil this goal. As a result, Burma lost its geographical access to the open sea.

[8] This was an attempt to limit the influence of regional feudal lords and regional governmental officials and to consolidate control over citizenry by the central government (Watanabe 2001: 135).

[9] The system for compensation of the royal family and of high officials was abolished and replaced with a salary system, and the judiciary system was revised to enable the central government to better enforce its will (ibid.: 135).

[10] This included the invitation of Western technicians to construct state-owned factories (for the manufacture of silk textiles, cotton textiles, weapons and ammunition, as well as dyeing and sugar refining), the modernisation of army by employing military advisors from France and Italy and the sending off of students to study in France, Italy and Great Britain (ibid.: 135–136).

In addition, under the commercial treaty of 1867, the right of state monopoly—an important source of revenue for the royal family—was restricted to oil, lumber and precious stones and under British pressure was subsequently (in 1882) completely stripped.

In order to stand up to the British, the Burmese dynastic government attempted (unsuccessfully) to establish closer ties with France. In 1885, arbitrations regarding the financial penalty imposed by the Burmese authority on the Bombay Burmah Trading Corporation for the under-reporting of teak production broke down. The Corporation had previously (since 1862) enjoyed an exclusive right to the timber harvest in the kingdom. The failure of the arbitration was taken by the Viceroy of India as an opportunity to send an ultimatum to the Burmese dynastic government. The refusal of the latter to submit to the former's rule led to the outbreak of the Third Anglo-Burmese War (November 13), which resulted in the surrender of the capital Mandalay, with no exchange of fire, on the 28th day of the same month, and the arrest and imprisonment of King Thibaw in Bombay (ibid.: 137).

3 Burma Under Colonial Rule

In January of 1886, Britain decided to annex Upper Burma, which it had occupied for some time.[11] Although resistance movements erupted throughout the country, each of these had been suppressed by force by 1895, with reinforcements coming from India or the police. Royalty was abolished, and thereafter, an entirely new bureaucratic system—one that did not utilise any dynastic governmental structures—was put in into place (ibid.: 138). The British, having encountered so much trouble in getting Burma to surrender, had come to the conclusion that it would be disadvantageous for them to rely on the institutions and practices that had been permeated with the vestiges of the dynastic rule. Specifically, *myo*[12]—the regional administrative units developed during the Konbaung Dynasty—were dismantled and individual villages reorganised into terminal administrative units, which were then directly connected to the central colonial government. The traditional ruling class, who had held together the indigenous society by acting as representatives for regional interests in the dynastic ruling, was replaced by the cold bureaucracy of

[11] There was some discussion among the British government, Indian office and the branch office in Lower Burma, of making Burma a protected territory rather than annexing it. However, given the bitter history of British-Burmese relations, it was decided that it would be difficult to gain control of an Upper Burma under dynastic control (ibid.: 137–138).

[12] *Myo* were defined not by their territorial relationship but by interpersonal connectivity (ethnic/military). Comprising several villages (*ywa*), the concept of *myo* did not include criteria such as land area or production output. The village chief (*myo daji*) collected taxes from villagers, which he donated to the king after having withheld a certain portion thereof as a handling fee. During times of war, he was obliged to mobilise troops as well as to help fund the war effort (Saito 1991: 120, 123–125, 133). The law dismantling of *myo* was officially enacted in 1897 in Upper Burma and later codified in the Burma Towns Act of 1907 (Watanabe 2001: 149).

colonial government clerks. These clerks had won their positions by passing tests in English proficiency and knowledge of administrative procedures and whose purpose was to transmit and carry out the will of the colonial authorities.

The Indian Civil Service (ICS) was charged with the mission of governing colonial Burma. While it was not surprising that a large number of British civil servants were sent to administer the ICS, the actual management and day-to-day governance were largely performed by Indian government officials under the direction of the ICS. The ICS comprised diverse groups with differing values, including Indians and Karen Christians, who functioned as police. These changes in social environment shocked and evoked anxiety among the Burmese peasants, leading to the aforementioned resistance movements which served as the undercurrent for subsequent grass-root resistance movements (ibid.: 149).

The new British (or Indian)-style bureaucratic system, which was overly reliant on rules (legal rationality), differed in essence from the hereditary style of Burmese governance, which was based on respect for personal networks. The former seemed 'heartless' to the native Burmese who came under its rule. National holidays that were associated with the dynastic regime were eliminated or barely allowed to continue after having been stripped of their meaning (e.g. through the changing of dates upon which the holidays were held). On the other hand, British holidays were celebrated only by the British and were not assimilated into Burmese culture.

Numerous British, Indians and Chinese came to live and work in Burma under colonial rule, so that Burma was, in a way, transformed into a pluralistic society. However, each of these groups formed its own intra-group communities with little intergroup interaction. In this sense, Burmese society could be characterised as a 'multitiered' society.[13]

Burmese society was comprised of a number of ethnic minorities in addition to the majority Burmese. The British strategy was to respect the autonomy of these ethnic groups and to manipulate their reciprocal interests in order to conciliate their resistance towards the colonial authority.[14] It can be said that 'national unity was prevented by segmenting ethnic groups' (Nu 1952: 9). As a result, conflicts and rivalries were fomented and even intensified among ethnic minorities, as well as between ethnic minorities and the majority Burmese. These conflicts easily disrupted cooperative relationships between ethnic groups.[15] Previous conflicts

[13] The expression used by Furnivall is 'two-tier society' (explained below). This is related to the argument by Boeke (explained later) that Indonesia was a 'two-tier society' (explained later) . Furnivall used 'two-tier society' to describe the separation *and* coexistence of Burmese and non-Burmese. There was a clear discrepancy between the two groups of residents in Burma in terms of income and participation in society. In other words, Burmese and non-Burmese were differentiated within the society. As a result, there existed a division in the labour markets for Burmese and non-Burmese that could not be crossed, and there was a clear difference in the economic remuneration between groups even for workers doing the same job.

[14] This was also the reason why ethnic Karens, many of whom were Christians, were appointed to important posts within the colonial government.

[15] According to Robert Taylor, the reasons why national unification was difficult for Burma following independence in 1948 included the fact that (a) Burma's regional boundaries were established

between ethnic groups, which had been quelled by the beginning of the nineteenth century, were thus reignited under the British rule. Finally, the majority of the colonial army consisted of Indian soldiers, while the members of Burmese and Shan ethnic groups, having been designated as 'dangerous people' by the colonial government, were excluded from the army (Hagen 1956: 27).

According to U Nu (1952: 4), the guiding principle of the British rule was to make profit. To achieve this goal, Britain monopolised profitable economic activities, accumulated raw materials and sent them home and forced its colonies to import finished products manufactured in Britain at as high a price as possible.

At the time of British colonial rule, four major profit-making activities were under British control: (1) milling and selling of rice, (2) the extraction of oil and of mining resources, (3) timber and (4) domestic marine transport. While (1) was profitable for Burma, it was under the control of British merchants,[16] and (2) was difficult for locals, as it was a capital-intensive activity that required specialised management skills and information about the international market. Moreover, even if the Burmese had wanted to nationalise (2), (3) and (4), it would have required permission from the colonial governor (ibid.: 6–8).[17] Finally, while the operation of domestic marine transport was simple and the Burmese would have liked to have operated it, this would also have required permission from the governor (ibid.: 8).

By the start of the Second World War, Rangoon (now called Yangon) had been transformed into one of the world's most advanced harbour cities through the development of natural resources, the creation of a railway system and a network of roads and the construction of a harbour under British rule. Although rice plantations were not established, the local farmers had to hand over their rice harvest, which was intended for export, to foreign rice millers and exporters. From 1886, the teak harvest was managed by the Ministry of Forests. Burma's natural resource exports also included oil and minerals. These, however, amounted to only 2–3 % of the world's production and paled in comparison to its export of rice (Hagen 1956: 16–17).

At the beginning of colonial rule, agricultural income started to increase. Yet it is doubtful that this trend continued after 1880. The oil and mineral industries employed Indian and Chinese workers, and the profits ended up in the hands of the British rather than in the coffers of the Burmese government. Burma did however profit indirectly from increased employment and spending. The development of means of transportation and a reduction in transportation costs led naturally to urbanisation, and thanks to the increase in foreign trade, the number of employed

under British rule; (b) India was engaged in indirect governance; (c) Britain had utilised conflicts among ethnic groups as part of its strategy to consolidate power with the consequence that the ethnic minorities developed a sense of being protected groups; and (d) the influence of the royal family and Buddhism had been eliminated (adapted from Ganesan and Hlaing 2007: 5–6).

[16] '…the rice trade was not subject to any severe international competition. … If exploitation of the rice by a handful of British capitalists had been prevented, the crores of rupees in profit from this undertaking would have remained in Burma to benefit the masses….' (U Nu 1952: 6).

[17] 'Like rice, too, the timber market was not very competitive and the buyers vied with each other to buy our teak' (ibid.: 7). This indicates that Burma held a strong position in the timber market.

urban dwellers increased. In spite of this, the incomes of urban workers failed to increase much beyond three times that of the rural workers (ibid.: 17).

Being based on the political principles of the rights and freedom of individuals, British rule (1) reaffirmed Burma's traditional individualism, (2) introduced the concept of contracts, (3) transformed the foundation of regional government from that of tribal (ethnic) rules to one based on geography and (4) introduced the concept of a nation state by way of a parliamentary system. This, however, was accompanied by a number of problems such as the following:

(a) As little effort was made to increase productivity in agricultural as it was in indigenous industries.[18]
(b) A small number of manufacturing activities, all conducted by foreigners out of the reach of the Burmese,[19] employed Indian workers at low wages. The Burmese worked under these Indian workers and therefore suffered from a double layer of managerial control.
(c) Primary education which had previously flourished when provided by Buddhist temples regressed under British rule. While numerous schools were established through funding from the colonial government, they were not great enough in number to make up for the loss of the temple schools. Neither did they provide any vocational training.[20]
(d) Western business practices were not readily accepted by Burmese society as they were seen as contradictory to traditional Burmese customs and ethics.
(e) The traditional system of land tenure was abolished and the rights of tenant farmers eliminated, forcing them to leave their lands.[21]
(f) As the system of chiefs was abolished and replaced with the rule of foreigners, local self-governance was obliterated.
(g) The Buddhist class system and the administration of temple justice were ignored.
(h) The abolition of traditional social order led to social decay and an increase in crime (ibid.: 19, 21–25).

[18] However, improved rice seed was introduced and agricultural research initiated (Hagen 1956: 21).

[19] Little heed was taken of King Mindon's earlier efforts to create small enterprises. Foreign companies had no interest in small-scale industries (ibid.: 21).

[20] Rangoon University was established in 1920. However, as late as 1937, the vast majority of the 2,500 students enrolled (2,061 students) were first- or second-year students. This was due to a high drop-out rate. Moreover, most of the enrolled students were Indians, while Burmese made up only a small minority of the student population. Only a few students were sent abroad to study (approximately ten students during the 1930s) (ibid.: 22–23).

[21] In the early days of the colonial government, there was a mounting need to officially register land ownership as quickly as possible. For this reason, those who happened to be in the midst of cultivation were identified as land owners. Lands that were not being cultivated at the time and shared commons were assigned to the persons whose signatures appeared on documentation. Moreover, land, whose ownership was indeterminate, was handed over to money lenders. As a result, the rights of tenant farmers were forfeited (ibid.: 24).

4 Origins of the Nationalist Movement

The development of anti-British movements in the 1910s, under the leadership of Buddhist monks (*pongyi*), marked the beginning of Burma's nationalist movement. The 1920s saw the emergence of a large number of monk politicians and the establishment of the General Council of Sangha Association (GCSA),[22] which contributed to the publication of a newspaper, exerted its influence on the appointment of government officials and assisted with fundraising efforts for the nationalist movement (Ikuno 1973: 94).

With the onset of the Great Depression in 1929, Burma's young intellectuals 'decided on the achievement of complete autonomy for Burma as their singular goal' (ibid.: 97). In 1932 the 'Thakin party' (Thakin meaning 'master') was formed, and workers and farmers were called to join their nationalist movement. The party tended towards Marxism and had nothing to do with religion.[23] Its leaders, which included Aung San, Takin Mya, U Kyaw Nyein, U Ba Swe and U Nu, were all Western educated.

Takin was a proponent of Sun Yat-sen's Three Principles of the People (nationalism, democracy and socialism) and a proponent of a school of social democracy known as Fabian socialism. 'It is said that the ideology of the *Thakin* party members tended to be an amalgam of revolutionary nationalism, British-style socialism, Marxism, and Buddhist thoughts' (ibid.: 103; Yano 1968: 327). U Nu joined the party in 1937, after which he served, along with Aung San, as advanced guards for the nationalist movement. U Nu was fascinated with the communist theory advanced by Lenin and others and translated a variety of Marxist documents including *Das Kapital* (Ikuno 1973: 103).

In response to Japan's invasion of Burma in 1944, Aung San, U Nu and others established *hpa hsa pa la*, otherwise known as the Anti-Fascist People's Freedom League (AFPFL). The AFPFL brought together the Burmese Revolutionary Party (later called the Socialist Party), the Burmese Communist Party and other political parties, as well as individuals and groups of students, workers, farmers and military personnel, to form a united front against the Japanese (ibid.: 98).

Hpa hsa pa la primarily advocated secularism and had little interest in the religious nationalist movement. However, after gaining independence in 1948, some of its members recognised that it would be politically unwise to ignore religion. Prior to independence, the participants of the nationalist movement were united in the goal of Burmese autonomy, with a shared motivation to evict a foreign power. After independence, however, they realised that 'a new positive agenda was needed to

[22] Among the monk politicians was high Buddhist priest Ottama, who had observed Japan's feverish efforts to modernise after the Meiji Restoration. Ottama was '… impressed by the possibility of a nationalist movement based on non-violence as demonstrated by Gandhi' and himself advocated for a non-violent revolution in a variety of locations (Ikuno 1973: 94–95).

[23] This may have also been motivated by a desire to distinguish their movement from that of the Buddhist politicians or may have been a reaction to the adoption of policies that emphasised Buddhism by pro-British-Burmese politicians (Yano 1968: 328–329).

unite the Burmese people in the creation of a new Burma' (ibid.: 99). The person who most ardently argued this viewpoint was U Nu.

5 Trends in Modern Burma as Seen by Furnivall

Despite being a member of the ICS and on the side of ruling government, John Sydenham Furnivall was a keen observer of Burmese economy and society. He was an Englishman who continued to speak from a viewpoint critical of British rule in Burma. After graduating from Cambridge University, he was sent to Burma as a British official. There his potential was recognised and he was promoted relatively quickly, overtaking his former superiors and eventually being appointed Assistant Commissioner and Settlement Officer. Unlike other ICS officers, he proactively pursued social interaction with the local Burmese, organising, for instance, a sports club for local residents. During one such social exchange, he met a Burmese woman, Margaret Ma Nyun, whom he married in 1906 and with whom he had two daughters. In addition, Furnivall established the Burma Research Society (BRS) in 1910. The journal published by the society—*Journal of Burma Research Society* (JBRS)—is an example of the cultural mark he left.

Furnivall's passion for studying Burma came from his desire to understand the 'truth' about Burma and the Burmese people by 'becoming an insider of Burma'. The BRS was an extension of that desire, and while being a platform for the neutral, scholarly investigation of Burma, it was rife with latent political implications and stimulated a variety of reactions from its readers. Naturally Furnivall was seen by his fellow bureaucrats as being ultra-pro-Burma. Nonetheless, there were a few ICS bureaucrats who shared Furnivall's views and took turns in succeeding him as chairman of the society (Pham 2004: 248–249).

The scholarly passion that could be seen among the members of the society reflected both the Imperial Idea and a romanticism held by a relatively large number of ICS bureaucrats—a type of paternalism or a nostalgic feeling on the part of the imperialists to protect Burmese culture.[24] This romanticism was perhaps a projection of the desire of the ICS bureaucrats to recover the 'lost past' of their own country. In that sense it was, to borrow Furnivall's expression, 'ghost hunting'.[25] Be that

[24] The colonial government recognised the rising tide of Burmese nationalism amidst the social anxiety following the conclusion of the First World War. Realising the importance of this trend, the colonial government established 'A Special Committee on the Imperial Idea'. The Committee argued that the members of the Empire (the Commonwealth) should, based on the principles of 'freedom, justice and human rights', cooperate together and that their obligations as members of the Empire and the development of their own countries were compatible. The Committee, taking in the opinions of the ICS members such as Furnivall, argued that nationalism was an essential element of the Empire and not vice versa. However, the view failed to include the possibility of an independent Burma (Pham 2004: 249–250).

[25] What was lost was the 'good old days', i.e. 'pre-industrial, pastoral society and village community' (ibid.: 249).

as it may, the JBRS and the *Burma Gazetteers* (a settlement report by ICS) served to bind the Western-educated Burmese (who were relatively conservative) and those Britons who were interested in learning about Burma (those who held a favourable view towards Burma) (op. cit).

Among Furnivall's most famous books is *Leviathan*, which criticises the colonial rule of Burma (Furnivall 1939). He was critical of the British system, which forcibly applied the same rules wherever they reigned without much concern for the local region and its residents. He likened it to the Leviathan in the Old Testament (Isaiah, Chapter 27, verse 1). According to Furnivall, once the Leviathan (i.e. colonial governance) had assumed power, the most effective agent to remove its power, and to recover freedom for the Burmese, was the Leviathan itself. This was Furnivall's own paradox, namely, his rationale for supporting the imperial governance while opposing rule by the ICS.

Furnivall's life and thinking provide an insight into some aspects of social economic thought and development in twentieth century Burma. After retiring from the ICS in 1923, he endeavoured to contribute to the cultivation of Burmese nationalism by working with the Burmese youth and starting a book club. All the while, he immersed himself in the study of Burmese society, serving as chairman of the BRS and editor of the society's journal, the JBRS, as well as working to nurture his successors.

It has been said that Furnivall's lifestyle and ideal for the unification and self-reliance of Burmese society were reminiscent of those of Christian missionaries (Pham 2004: 250–253). After arriving in Burma, he became a Buddhist for a short period of time, but later (ostensibly after considerable deliberation) converted to Christianity. He went so far as to state that the work of Christian missionaries would provide a model for the effort of rebuilding Burma (op. cit.).

Furnivall returned to England in 1931 and moved to the Netherlands a few years later (1933). Here he studied Indonesian society at Leiden University under Julius Herman Boeke, an expert on Indonesian society and the proponent of the two-tier society theory.[26] Furnivall then moved on to Indonesia (Java) to directly observe Dutch colonial rule, the results of which were contained in his book published in 1939. According to Furnivall, Java, like Burma, was a 'plural society'. However, Dutch colonial rule differed from that of the British. The Dutch placed importance on contact with, and the social development of, the local population, and adopting a more generous view on colonial rule than the British did not strictly enforce the rules. The local population could freely criticise the colonial bureaucracy and its rules. In contrast, Furnivall likened the British bureaucratic system to a 'machine', as it stubbornly adhered to the principle of rule by law which was mechanically imposed from above. According to Furnivall, the difference between the two systems lay in the difference between continental and British laws. While the former, based on the Roman legal tradition, encouraged improvements in the social welfare of colonies under its rule, the legal principles of the latter prevented its colonial

[26] In contrast to Boeke's 'two-tier society', Furnivall argued that Indonesia was a 'pluralistic society'. It is said that the two men never came to agree on this point.

officials from taking an active part in the social activities of the regions where they reigned, as this was outside of its jurisdiction. For this reason, unnecessary misunderstanding and friction existed between the colonial government and the local Burmese population (ibid.: 257–258).

Having completed his research in Indonesia, Furnivall returned to England and, dispatched by ICS, taught Burmese language, Burmese history and Burmese law at his alma mater, Cambridge University, between 1935 and 1942.

In terms of economic thought, Furnivall was greatly influenced by Fabian socialism.[27] According to Pham (2005), it is not possible to sufficiently understand Furnivall without taking this fact into consideration. Furnivall was a proponent of moderate socialism and was a supporter of the Fabian Society's criticism of *laissez-faire* economics.[28] According to the Fabian Society's thinking, for a society to function sufficiently as an organic organisation, there must also exist a 'community'. That is because its members believed that democracy functioned only when there was a community forged by a common bond. Furnivall's description of Burma as a 'pluralistic society' was an extension of this argument closely connected to his criticism of British rule in Burma. His criticism of British colonialism was that it lacked the understanding of local communities and dismissed the local population as if they were an inorganic assembly of people sharing only ethnicity.[29] According to his judgement, because of this the British colonial government created animosity among the local population, and the locals were justified in feeling the way they did.

These ideas notwithstanding, Furnivall believed that if Burma was to stand on its own as an independent modern nation, it would require Britain's assistance (op. cit.). As is laid out in his Leviathan argument, this was a reason why he valued the institution of the British Commonwealth.[30]

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[27] From shortly before his appointment to Burma until his death, Furnivall was a regular member of the Fabian Society.

[28] According to Furnivall, land was a free good provided by nature, and people should not arbitrarily claim or transfer ownership of it (Furnivall 1909).

[29] On this point, he believed that the British could learn something from the Dutch rule of Indonesia. British-style colonial rule, when compared with its Dutch counterpart, was quite *laissez faire*. That is, after gaining control of its fundamental interests, the British colonial authority delegated local rule to trusted representatives who could act as they pleased. That did not mean, however, that the profits from colonial rule materialised in windfall fashion. In contrast, the system ensured that returns on investment of the Empire as a whole would flow into British coffers.

British-style colonialism clearly contrasted with Japanese colonialism where colonies were subject to assimilation into Japan. In the case of the latter, serious effort was made to transform its colonies into an essential part of the suzerain. For this reason, wherever nationalist sentiments were strong, resistance to the new style of colonialism was also strong and the Japanese were despised. The antipathy of the Japanese, who were met with such resistance, resulted in a synergistically increasing mutual distrust.

[30] As a result of the Statute of Westminster by the British Parliament on 11 December 1931, the principle of British colonialism changed from vertical, top-down rule, to the horizontally structured Commonwealth of equal partners. That is, British colonies transformed themselves into sovereign territories and became equal members of a collective body connected to the British homeland through their pledge of loyalty to the British monarchy.

In 1943, Furnivall, through a fortuitous turn of events, came to write a plan for Burmese reconstruction after the Second World War ('reconstruction for Burma').[31] At the time, he was of the opinion that, for the sake of improving its economic welfare, Burma should remain within the British Commonwealth after achieving independence and, with Britain's help, endeavour to increase the productivity of its domestic industries (Pham 2004: 262).[32] His argument was that Burma could benefit from the accumulated technology and human resources offered by Britain, as well as from its know-how regarding the management of government bureaucracy and its advice on foreign relations. Furnivall was a realist and his assessment of Britain's ability to govern and its experience was very positive.

It seems that Furnivall's views represented a possible and realistic choice. However, in Burma, which at the time was occupied by Japanese forces, the proponents of independence (including Aung San and U Nu) were not about to accept Furnivall's proposal.

In 1948, 17 years after leaving Burma, Furnivall had the opportunity to return to Burma as a planning advisor and developed, among other things, an economic vitalisation programme in close association with Hla Myint as his right-hand man. Furnivall worked in this capacity for approximately 10 years but lost his position when U Nu stepped aside and was succeeded by Ne Win.[33] Even then, Furnivall continued writing a report titled the 'Social and Economic Development of Modern Burma', entrusted to him by U Nu, which was to remain unfinished as the Ne Win administration ordered Furnivall's expulsion in 1960. He left Burma in April of the same year for a brief residence in England, with an intention to return to Burma to take up a new post as a visiting professor of economics at Rangoon University. However, he passed away 3 months later in Cambridge. He was 82 years of age (Pham 2004: 262–266).

6 Progress Under the U Nu Administration

The Japanese occupation (beginning in April 1942) marked a turning point in the political history of the Burmese nationalists' movement. The Burmese elite represented by the General Council of Burmese Associations (GCBA), which had held influence since the turn of the century, were replaced by a new group of Burmese

[31] 'Secret report on reconstruction for the fortnight ending Tuesday the 4th May 1943', Arnold Papers, MSS Eur. F145/7, item 1, OIOC.

[32] From the sole standpoint that political stability is a necessary condition for economic development, Furnivall's thinking was not incorrect (at least as one alternative). It is clear from Pham's description (2004: 263) of the conditions after Burma's abrupt independence and formation of the Republic that the departure of a large number of British bureaucrats and technicians had a significant negative impact on Burma's economic development. Added to this was the distrust towards the colonial government by the Burmese people, who had long been under colonial rule without any political representation.

[33] First Ne Win administration, 1958.

elite, the *Thakin* party ('Our Burma Association'). These elites began to pursue the 'ideal of an independent Burma (i.e. a nation in which the economic power is held and led by Burmese)'. One camp within this group, the *hpa hsa pa la*, began organising anti-Japanese uprisings in August of 1944, gaining momentum under the leadership of General Aung San. These uprisings were limited in scope but were politically effective; thus they benefited the *Thakin* party and ultimately bolstered Aung San's reputation.

After Japan accepted the terms of the Potsdam Declaration and the civil government was restored in Burma under the British Governor-General (October 1945), the British government invited General Aung San to Britain to solicit his opinion on the debate in England over whether Burma should be kept within the Commonwealth for a short period of time or immediately granted independence as a sovereign nation. Having taken off his military uniform and assumed chairmanship of the *hpa hsa pa la*, Aung San subsequently signed the Aung San-Attlee Agreement in London (January 1947). Under the agreement Britain agreed to allow Burma to decide whether it would become a self-governing dominion within the British Commonwealth or a completely independent republic unassociated with the British Commonwealth (Nemoto 2002: 189). Among Burmese intellectuals (particularly the leaders of the *hpa hsa pa la* movement), the call for immediate independence was overwhelming.

Upon returning home from London, Aung San met with representatives of Burma's remote regions and:

> …arrived at the agreement (*Panglong* Agreement) that Burma would become an independent federation comprising both regions under the jurisdiction of the Burmese government and frontier areas. In April of the same year, elections were held to choose members of parliament to write a new constitution, which *hpahsa pa la* won readily, …[and] work was begun on establishment of a new constitution that presumed a federal republic (ibid.: 190).

In this process, power was handed over by the older GCBA elite to the (relatively younger) *Thakin* elite.

However, in July 1947 seven leaders of the *Thakin* party, including Aung San, were assassinated by former Prime Minister U Saw, who had opposed Aung San.[34] The new Burma, which had attained independence in January 1948, now had to move forward without Aung San.

U Nu, acting chairman of the administrative council and deputy chairman of *hpa hsa pa la*, neither possessed the same managerial ability nor enjoyed the same high level of popular support and trust from the people of the frontier areas as Aung San had before him (ibid.: 191).

Aung San had a vision of a socialist Burma, arguing that '…Burma should make clear its anti-imperial/anti-capitalist stance and an independent Burma should strive to progressively nationalise all land and important industries, including agriculture,

[34] Aung San was an exceptional leader whose sincere character was admired even by colonial officials. If he had survived and coordinated the political milieu in the post-independence period, Burma may have experienced a markedly different path of economic development in the 1950s and 1960s.

and thereby realise 'highest well-being for the greatest number of people' and 'a direct democracy" (ibid.: 195). According to him, Burma had not yet reached the capitalist stage and capitalism could be tolerated for the time being. However, he argued that the constitution needed to include provisions to prevent capitalists from exploiting the workers.

U Nu inherited Aung San's vision, but neither U Nu nor his supporters in the *Thakin* party could create a concrete plan for the establishment of a socialist regime.[35] According to Nemoto (2002: 197), the policy ideals announced by the *Thakin* party evoked considerable anxiety among the business community and were therefore primary factors inhibiting Burma's economic development.

U Nu's administration (1948–1962) faced numerous problems, including an unsuccessful coalition with the Communist Party. These problems in turn lead to the Party provoking violent internal confrontations throughout the country over demands for self-governance by highland ethnic groups, in particular the Karen National Union (KNU) and its military wing, the Karen National Defence Organization (KNDO). In the first half of 1949, internal battles were fought on the outskirts of Rangoon. However, the U Nu administration, using a combination of military and political tactics, 'endeavoured to unify the nation under the flag of political principles based on tradition' (Ikuno 1973: 101) and narrowly managed to regain control over the country in the middle of the 1950s.

After assuming premiership, U Nu remained leader of *hpa hsa pa la*; although by this time, it had lost any form of coherence. Worse still, a factional dispute arose between the 'Clean' faction, represented by U Nu, and the 'Stable' faction, led by U Kyaw Nyein and U Ba Swe. The former faction prioritised agriculture, while the latter placed equal emphasis on agriculture and manufacturing industry (or placed greater emphasis on manufacturing). This dispute eventually led to a split in the *hpa hsa pa la* in June 1958. In addition, U Nu's emphasis on the role of Buddhism as a foundation for a welfare state and the rejection of Marxism as the guiding principle for *hpa hsa pa la* became the main cause of his rift with U Kyaw Nyein and U Ba Swe. As a result, the parliament fell into a state of chaos. Unable to gain control of the situation, U Nu entrusted the interim cabinet for administering the election to General Ne Win in October 1958.

A main point of dispute between the rival *hpa hsa pa la* factions during the 1960 general election was U Nu's proposal to establish Buddhism as the state religion. The Federation Party, led by U Nu, won a majority of parliamentary seats and

[35] According to Nemoto's interpretation (2002: 174, 193–194), the Constitution of 1947 does not explicitly indicate the intent to form a socialist state. Nemoto states that 'because Burmese legal experts and the Burmese high civil officials who participated in crafting the text of the Constitution had studied in Britain' (ibid.: 195), the document contained the language of liberalism and the principles of equality reminiscent of those of the British Labour Party and did not explicitly include elements of socialism. U Nu emphasised socialist principles in his speeches of 1952, precisely because these ideas were not necessarily strongly represented in the Constitution (ibid.: 196). According to this interpretation, the reason why Burma tended towards socialism after independence was not due to the Constitution, but to the political leanings of U Nu and his supporters in the *Thakin* party.

formed the third U Nu administration (1960–1962). The 'Law Designating Buddhism as the State Religion' (17 August 1961) was subsequently enacted (ibid.: 104).[36] Soon thereafter the 'Law to Promote the State Religion' was drafted/introduced/enacted and concrete plans for instating Buddhist socialism were announced.

However, the authority of the U Nu administration faltered in the face of demands for autonomy by Shan and other frontier states, internal disputes within the Federalist Party and calls for radical state religionism by Buddhist monks. Military leaders, fearing a collapse in governance, staged a *coup d'etat*. As its justification for this move, they cited the non-functioning parliament and the possibility of the collapse of the state federation (2 March 1962).[37] As chairman of the 'Revolutionary Council', Ne Win became head of the state. He criticised the religious policies undertaken by U Nu and abolished those provisions in the Constitution relating to religion that had been approved by the parliament under the U Nu administration (Nemoto 2002: 198–199; Ikuno 1973: 125).

7 Burma's Economic Development After Independence

At the time of gaining independence (May 1948), Burma was not in a position to immediately initiate steps towards economic development. As discussed previously, individuals associated with the Communist Party revolted against the independent government, but the government army was too weak to gain control over the uprisings. Externally, tense relations with China were a source of consternation. This was due to the fact that, in 1950 when the Chinese Communist Party gained full control over the mainland, one to two thousand *Kuomintang* (KMT or Chinese Nationalist Party) soldiers, aided by the US Central Intelligence Agency (CIA), had fled from Yunnan province along the Chinese border and mounted a large-scale attack on Northeast Burma (Nemoto 2002:197–198).[38] While they were not very strong as a military force, they were in possession of US dollars; therefore, their political implication could not be ignored. As apparent in these examples, Burma's society and external relations following independence were unstable,[39] and it faced numerous physical threats arising from this state of social chaos. As a result, by 1950 self-governing, self-defence forces had been established by young Burmese, and efforts had begun to restore order and safety. In 1954, an attempt was made to give political autonomy to local regions (Hagen 1956: 27–33).

[36] Yes's 324; No's 28; Abstentions 19 (ibid.: 104).

[37] 'Throughout the 1950s, by virtue of their deployment to and occupation of various regions around the country, the national army were instrumental in creating a national network centred in Rangoon and, thus, already possessed the ability to manage the federation' (Nemoto 2002: 198).

[38] Burma presented its case before the United Nations in 1953. While the majority of the soldiers had left Burma by the end of 1954, some stayed behind.

[39] (As discussed previously) the system of land ownership and village self-government had already been dismantled during colonial rule (Hagen 1956: 32).

Even after the end of the Second World War, the Burmese concept of capitalism was underpinned by that of colonialism. It seems that some were of the mistaken understanding that, owing to the large investment required, if large industry was deemed necessary, it would have to be state-run. Prime Minister U Nu, himself an advocate of Fabianism, was opposed to an economy based on capitalistic principles. He declared that all agricultural land and all businesses associated with major industrial activities should be nationalised.[40] Given these circumstances, the government advocated socialism, although its ideological character was fairly moderate. In June 1955, a policy directive was publically announced welcoming capital formation based on foreign investment in all the areas except for munitions and the mining of natural resources. Nonetheless, the government viewed the activities of the domestic Communist Party with disapprobation (ibid.: 40–42).

Economic development following independence progressed at a slow pace. Moreover, the government lacked understanding that agriculture required special attention and care (Myat Thein 2004: 28). In 1955, per capita gross income was roughly $65/year (conversion at market exchange rates).[41] The adverse impacts of the civil wars, which had continued for a total of 9 years after the end of the Pacific War, were most evident in the period from 1945 to 1950. Even as late as 1950, the economy had not recovered to its pre-war levels. While advances were made in capital formation, these gains were mostly the result of depleting foreign currency reserves, and the money was largely expended on building social infrastructure, such as construction of transportation networks and airport runways. The memory of pre-war economic management which, by relying exclusively on rice exportation, failed to stimulate economic development, led to an emphasis on import substitution (ibid.: 29). In addition to state-run cotton spinning, pulp and steel factories, government services made up 10 % of GDP. Half of this was spent on military expenditures, while the other half was spent on public services such as education and medical care. Private investment was mostly limited to small projects in rural regions (ibid.: 47–52).

In September of 1950, the United States signed an agreement to provide technical support to Burma. Around this time the scope of the US assistance was on an upward trend. However, due to the need to suppress domestic communist forces associated with the KMT (discussed above) in 1953, US assistance was eventually terminated at the request of the Burmese government. Meanwhile, war reparations paid by the Japanese had a significant economic impact after 1954.[42] In 1956, Burma signed an agreement with several countries, including the former Soviet Union, for trade assistance. Additionally, in the same year, the Soviet Union agreed to provide

[40] U Nu's thinking regarding the economy is evident in one of his long speeches cited here, which also reflected his gentle personality (U Nu 1952: particularly, pp. 16–22).

[41] A comparable figure for the United States in the same year was $2,350.

[42] Reparations of $20 million were paid annually over 10 years and $5 million in loans were paid annually for technical assistance. The first project paid for by the reparation funds was the Baluchaung hydroelectric plant (costing a total of 19 billion yen)—the research, design and construction supervision of which was undertaken by Nippon Koei Co. Ltd. (Sawai 2012: 15).

material and technical support to Burma in exchange for the latter's rice exportation to the former (ibid.: 77–80).

Burma's first 5-year economic plan was introduced in 1956–1957 and the second plan implemented between 1960 and 1964 (Suehiro 1998: 22).[43]

8 U Nu, the Man and His Beliefs

U Nu was a devout, practical Buddhist. He believed that Buddhism '…would endow Burma's unique political system with authenticity as well as authority' (Ikuno 1973: 101). His devotion to Buddhism was not superficial, but had come from strict adherence to the five precepts of Buddhism. He wrapped himself in the traditional *longyi*, covered his hair with a *gaung baung* (a kerchief unique to Burma), wore sandals and walked among and interacted directly with the common people (ibid.: 106). He was a mild and amiable person. Jawaharlal Nehru described him as possessing a 'radiant personality—it wins him friends wherever he goes' (Butwell 1963: 63).

U Nu was capable of attracting the attention of the masses. Ikuno (1973) believes that his personal appeal originated in the ideology of Setkya-Min. Setkya-Min was said to be the mythified form of Ashoka the Great, who unified India and declared that he would 'conquer the earth and rule by law, not by punishment or with weapons' (Ikuno 1973: 110). According to a Buddhist legend passed down through ages, King Ashoka, a devout and sincere Buddhist, ruled his earthly kingdom based on the principle of reincarnation (the endless cycle of death and rebirth) and brought peace and material happiness to the world through the practice of Buddhist compassion.[44]

Some aspects of this philosophy align well with the ideals of Fabian socialism. It is not mere coincidence that Buddhist socialism was advocated by the U Nu administration. 'It seems that, in the modern age, 'Setkya-Min' and the ideal of the country live on in the public's understanding of politics and political stance of populist politicians, and can serve as a model for what is expected of leaders and nation' (ibid.: 110).[45] The high political support for Prime Minister U Nu may be ascribed

[43] Prior to this, in 1948, Furnivall and Hla Myint developed a 2-year economic plan, and in 1952, technicians and economists from the American Knappen Tippetts Abbett Engineering Company drafted an 8-year economic plan. The former plan was not implemented due to political instability in Burma, and the latter was suspended for similar reasons, as well as for the shortage of personnel capable of executing it (Myat Thein 2004: 16–20).

[44] It is said that under the reign of King Ashoka: (1) material goods were plentiful, and the people led extremely easy and comfortable lives; (2) the people maintained, and aspired to, the high moral character taught by Buddhism and adhered to the law; (3) geographical movements were easy and villages drew close to each other as the world was not divided by mountains or rivers; (4) the spirits of the people were joined together and different languages assimilated; and (5) no one paid particular attention to precious stones since they were so abundant.

[45] The ideal quality of Burmese kings is said to have been embodied in King Mindon (Mindon Min, 1858–1878). He 'arrived on the throne to protect the teachings of the victor by the benevolent

to a combination of his personality and his actions, overlapped with the reincarnation ideology discussed above, which must have appealed to the masses. Perhaps this is why U Nu was able to maintain his administration over a relatively long period of time.[46]

9 'Inward-Directed' Economic Policy

Ne Win was concerned with removing the religious tone from U Nu's political ideology. However, Burma's socialist ideology had inherited a Buddhist-like tenor. According to a declaration by the Revolutionary Council in April 1962 entitled the 'Burmese Way to Socialism', in order to improve people's material well-being, it was not only possible but highly essential to adopt a rational/scientific view of the world as the fundamental national goal, without relying on supernatural powers.[47]

However, shortly after the declaration, the Revolutionary Council formed the Burma Socialist Programme Party (BSPP, 1964–1988) (a single-party system). According to the outline of its platform:

> All material things and souls exist fleetingly and experience changes based on the 'principles of reincarnation, as the inevitable consequence of the unending and invariable cycle of deaths and rebirths.' A human society, too, is subject to perpetual changes; …neither are the 'eternal' social system nor the 'just' economic system (be they slavery, feudalism, or capitalism) exempt from this absolute law of changes. For this reason, those who endeavour to advance the interest of the masses, must not be dependent on social political systems or the classes that support such systems. It is necessary instead to stand by, and think first and foremost for, the farmers and the industrial workers who labour for the interest of the society. (cited in Ikuno 1973: 127)

According to this passage, it may be said that Burma's socialism was not simple materialism but intended to achieve a morally sound nation and spiritual well-being of its people. It was 'deeply rooted in the tradition of syncretising Buddhism and

authority that had been accumulated by a long series of previous generations, and was revered as he was capable of enlightening people on the causes and effects of one's desires and pains' (Ikuno 1973: 112).

[46] In order to unify the Burmese nation, it may well have been a reasonably viable choice to merge the Buddhist philosophy of reincarnation with political ideology.

In the Middle East (e.g. Egypt, etc.) after the Second World War, the political leadership erected as a result of the secular nationalist independence movement, gradually acquired dictatorial power. This coupled with their corruption, caused the leadership to lose the trust of the people and it eventually ended in failure. At this time, Islam surfaced as a rallying point for national unity, and was to a certain degree successful in attaining its purpose (Katô 2010: 34–35). U Nu's efforts to establish Buddhism as the state religion may have been motivated by a desire to trod a similar path.

U Nu's life up to 1962 is documented by Butwell (1963). U Nu died in 1995, at the age of 87.

[47] At the same time, the declaration revealed the Council's intention to avoid close interaction with foreign countries.

Marxism…' (op. cit.).[48] In this sense, there was no absolute rift between the thinking of Ne Win and that of U Nu.

'Burmese Socialism' continued up to 1988, with the nationalisation of all industries except agriculture, the exclusion of all foreign investment and the expulsion of all foreign industrialists. According to Nemoto (2002: 199), when, after a period of political chaos, the military seized power and established Burmese-style socialism, it

> turned off not only the indigenous capital accumulation, but also the path to prosperity and political representation of the middle-class elite that had supported the nationalist movement since 1920, installing in its place a system of political rule by a new class of people made up of the Burmese military and those associated with it.[49]

The trend towards complete isolation from the international community began under the Ne Win Administration.[50] Economic development remained sluggish. Instead of utilising civil officials with experience in economic development, military staff with little exposure to economic management were put in charge of formulating economic policy. Moreover, in order to ensure loyalty to the military elite, military staff were from time to time replaced with equally inexperienced staff (Myat Thein 2004: 63). Under these circumstances, the potential for cultivating devoted civil officials and bureaucrats passionate about improving the nation's material welfare was severely limited.

The two utmost reasons for the stagnation of Burma's economy were the slow pace of development in agriculture and the inefficiency of state-owned enterprises. The government intervened excessively in agriculture in order for rice to be provided to the government at low prices. This allowed the government to continue its supply of rice to public employees as a form of payment in kind. Moreover, it seems that the government lacked the sufficient understanding of the importance of the financial sector. The People's Bank of Burma, serving as Burma's central bank, was a carbon copy of the Soviet National Bank (*Gosudarstvenny* Bank USSR) which had little to do with the nation's monetary policy (ibid.: 67). One may conjecture that Burma's neglect of financial policy inherited some aspects of the Soviet economic ideology on economic planning. In any case, the financial sector was underdeveloped, and there was great difficulty in accumulating the funds necessary for capital investment. The state-owned banks could do nothing to improve these circumstances.

While the investment rate in neighbouring countries was on the rise, Burma experienced an opposite trend (ibid.: 70). With the exception of a rise between 1973

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[48] The quoted text was excerpted from Heinz Bechert, *Buddhismus*, *Staat und Gesellschaft II*, 1967, S. 154. 'Syncretism' refers to an attempt to reconcile contradictory theories and/or ideologies.

[49] The U Nu administration recognised the low efficiency of the state-run enterprises and came to the conclusion that if the country continued on this 'socialist' path, the result would be pitiful; however, this recognition was not passed on to the military leadership (Ne Win administration) (Myat Thein 2004: 43).

[50] It is said that the impetus for isolationism came from the invasion, in 1950, of Shan State by a part of the *Kuomintang*, aided by the United States (Ganesan and Hlaing 2007: 1).

and 1983, the ratio of exports and imports to GDP between 1961 and 1988 was in constant decline. Despite the severity of the economic situation, the government was not about to solicit either foreign investment or official development assistance (ODA) (ibid.: 76–77).[51]

Nonetheless, Burma's economic performance during the 1970s was considered relatively commendable (Hill and Jayasuriya 1986: 1–65). However, its growth was in large part achieved by improving the economy's substandard operating rates and, according to Hill and Jayasuriya, would have been impossible to maintain after the 1980s unless new production methods and/or new factors (such as structural reforms) were introduced. It was inconceivable, for instance, that exports from Burma would increase dramatically in the 1980s. While domestic demand for rice—Burma's principal export prior to independence—was on the rise due to the increasing population, the international rice price fell rapidly. Moreover, Thailand and the United States came to be increasingly competitive players in the rice market. Meanwhile, the primary rice-importing countries in the Middle and Near East, and in Africa, were experiencing shortages in foreign reserves (op. cit.).

Given the high interest rates and the lack of economic know-how, even if Burma had tried to introduce foreign investment as a way of strengthening its economy (e.g. by restructuring), things would not have turned out as planned. Had Burma ventured into new businesses, such as labour-intensive manufacturing, its connection with international markets would have been too fragile for it to succeed. Furthermore, it would have faced fierce competition from other Asian economies such as India, Indonesia and China. In the agriculture, forestry and fishery industries, Burma's greatest potential for exports lay in teak. However, teak production had already reached its upper limit and a further increase was not expected.

For these reasons, Hill and Jayasuriya (ibid.: 66–88) foresaw that after the 1980s, Burma's economic policy would again turn inward. Their predictions were, unfortunately, quite correct. During the period of the early to mid-1980s, while the country was politically stable, the 'inconsistencies' of Burma's economic structure became strikingly obvious. The agricultural sector stagnated. The nonagricultural sectors saw the emergence of a two-tiered system that comprised a public sector with state-owned enterprises as its core and a black-market economy. At the same time, the exercise of isolationist policies resulted in the stagnation of exports. Whereas 'the flourishing of the underground economy was a direct indication of the failure of Burma's socialism' (Nishizawa 2000: 54), the government 'twice implemented demonetization policies, once in 1985 and again in 1987, in order to deal a blow to the 'evil businessmen' who ran the underground markets' (op. cit.).[52] It was

[51] Burma's contribution to the total exports of the ASEAN region continued to fall from 12 % in 1937 (the greatest contribution that year coming from Malaya at 34 %), 6 % in 1955, 5 % in 1965, 0.7 % in 1980 and 0.5 % in 1995 (Booth 2003: 146). There must have been an ideological backdrop to this situation.

[52] Demonetisation had been tried in 1964 (Myat Thein 2004: 66, 70). Among all the policies adopted since independence, this represented the most serious blunder in the running of the economy. Many years were necessary to regain the public and international trust lost through its implementation.

assumed that the black markets were operated by Chinese and Indian immigrants, and it appears that non-Burmese businesses were a prime target for punishment. In any case, the demonetarisation dealt a severe blow to the general public and clearly led to the plummeting of the public's trust in government economic policies.

Capital investment in the manufacturing industry made little headway. The promotion of textile exports also failed to progress as hoped.[53] One reason for the stagnation of the manufacturing industry was that the provision of investment funds did not proceed smoothly. Another reason was the continual hesitation of businesses to commit to capital investments, given the considerable uncertainty regarding the future of the economy. The financial market was state-run-oriented, overly bureaucratic and too rule based and was averse to quick action. It was not therefore in a position to ameliorate the hardships of the private sector. The state-run enterprises, despite being short of good managerial oversight, showed some improvement in their performance following the reforms of the late 1970s, but their operating ratios began to fall again after 1982 (Nishizawa 2000: 51). Furthermore, the government printed money in order to remedy budget deficits, which accelerated the pace of inflation. The economic growth rate in real terms became negative in the latter half of the 1980s.

In March 1988, near the end of the Ne Win administration, democratic movements erupted in the form of student demonstrations. This brought about a rising tension within the society. In this tense atmosphere, Ne Win resigned, making way for the establishment of a new administration led by Sein Lwin (July 1988), who abruptly stepped down after only 16 days. Lwin was succeeded by the administration of Maung Maung.

Having experienced the enforcement and the repeal of martial law, the democratic movement led by the National League for Democracy (NLD) with Daw Aung San Suu Kyi as its leader gained momentum. However, in the midst of this, the military, fearing the loss of political order, staged a *coup d'etat* (September1988) and established the State Law and Order Restoration Council (SLORC). While the democratic movement was allowed to continue, Aung San Suu Kyi was put under house arrest. Nevertheless, in the general elections—held as planned on 27 May 1990—the NLD won by a landslide victory (Ino 1996: 9–40).

However, SLORC refused to relinquish its power and sought to re-establish political, social and economic stability. The conditional lift of the ban on foreign investment in November 1988 marked a turning point in the basic stance of the government economic policy. It was publicly announced that the long-advocated principles of a socialist economy would be abandoned and replaced by

[53] In addition, it is reported that in1982–1983, the informal imports and exports amounted to as high as 75 % of the formal imports and exports (Myat Than 1992: 58). Smuggling must have been quite common. It seems desirable, however, to carefully analyse the method of estimation employed by Takamura and Mori (title unknown, 1984: 134), on which the above-cited figures are based.

market-economy principles. The 1965 Law of Establishment of the Socialist Economic System was repealed in March 1989.[54]

The effect of the transformation from socialist to market economies was striking. At the beginning of the 1990s, the real GDP growth rate increased from 6 to 10 % per annum. Additionally, the contribution of the private sector to GDP rose from 69 % in the period 1986–1987 to 76 % in the period 1998–1999. However, major industries remained under state control and the macroeconomy continued to suffer from budget deficits, current-account deficits, inflation and low saving rates (which meant low investment rates) (Thein 2004: 123–29).

10 Search for a New Development

With the general elections held in 1990, the world's attention turned to Myanmar's future. The rise of Aung San Suu Kyi as leader of the NLD, which happened to coincide with the collapse of the Soviet Union, bolstered expectations of a change both within and outside Myanmar. In the West, which at the time was in the midst of celebrating the victory of free democracy, Aung San Suu Kyi was widely acknowledged as a courageous leader of the democratic movement.[55] However, the change that had been hoped for was not realised. Internal political battles erupted, during which many members of the democratic movement were arrested. Aung San Suu Kyi was again placed under house arrest. Myanmar faced severe criticism from the international community, particularly from the United States and the European Community.

Since 1988 internal warfare was gradually resolved under the military leadership. This was particularly so in the 1990s. Nonetheless, Myanmar's economic development was inhibited by difficulties in attracting foreign investment as a result of the continuing civil war, isolation from the international community and the imposition of international economic sanctions following the arrest of Aung San Suu Kyi in June 2003. Although in 1997 ASEAN expressed its willingness to accept Myanmar as a member, this did not immediately lead to political reforms within Myanmar.[56]

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[54] The following slogan appeared on the bottom of a poster hung around the University of Yangon campus on the occasion of the above mentioned anti-government student demonstrations: 'We will fight for a meaningful and prosperous new socialist society' (Ino 1996: 11). It may be that the young intellectual class at the time did not necessarily believe that socialist ideology should be rejected.

[55] Daw Aung San Suu Kyi had resided in England for a long time and married an Englishman. The starting point of her involvement in Myanmar politics was her return to Myanmar in 1988 to care for her ailing mother. She was placed under house arrest in July 1989 while still the leader of the NLD and was not permitted to run for public office despite having Myanmar citizenship.

[56] Among ASEAN members, there was some concern that Myanmar's obstinate attitude would lower the confidence in, and international reputation of, ASEAN as a whole (Ganesan and Hlaing 2007: 3).

It would be useful at this juncture, to compare Burma's record of economic development since independence with that of other Southeast Asian countries. If one takes the view articulated by Suehiro (2002: 1–2) as a reference, the course of economic development in the region in the twentieth century consisted of four mutually overlapping stages, namely:

1. *From the beginning of the twentieth century up to the 1950s*: the rise of nationalism, the realisation of political independence, the establishment of nation states and liberalisation from colonial domination
2. *From the end of the 1950s to the 1980s*: departure from parliamentary democracy and the increasing dominance of authoritarian political regime, which came to characterise the period
3. *From the latter half of the 1970s to the end of 1980s*: remarkable economic growth of a new breed of industrial countries (Hong Kong, Singapore, Taiwan, Korea etc.) with export growth as the driving force, following economic restructuring after the two oil shocks
4. *The period beginning in the latter half of the 1980s*: the collapse of the Cold War regime, a rising trend in economic liberalisation, the economic transformation of planned economies, the inevitable re-evaluation of state-led industrial development and the termination of the age of 'developmentalism'

With respect to stage (1), repulsion of colonial rule nurtured nationalism. Evolving political movements sought political independence and the establishment of nation states. In stage (2), criticism of parliamentary democracy became overwhelming and authoritarian regimes became dominant.[57] Developmental dictatorship emerged, under which the introduction of foreign investment was expanded.[58] Out of these dictatorships, the keywords 'the Cold War regime', 'economic development' and 'nationalism' emerged as characteristic of Southeast Asia in the 1960s. The political system that embodied these three characteristics was called 'developmentalism'.[59] In stage (3), faults of the import substitution model of

[57] For example, Thai-style democracy, Burmese-style socialism, Indonesian-style new order and Filipino-style revolution from within

[58] The reason countries moved towards developmental dictatorships was (according to Suehiro) due to the widely held perception that, in order to oppose internal and external political threats, it was necessary to increase the country's power (through economic development) under a system of crisis management. That is, in stage (2), there was the external 'threat' of the communist influence and the internal threat of anti-government movements. The ruling regime decided that in order to achieve a developmental dictatorship, it would be necessary to concentrate authority in the central government.

[59] The systematic presentation of the concept of developmentalism is derived from Murakami (1996). The developmental regime was implemented and bore fruits under the direction of capable technocrats. It was executed by assimilating social movements such as the top-down movements in the Philippines (as in the case of the *Kilusang Bagong Lipunan* ('New Society Movement'), the *Yushin* (revitalisation-reform) system in Korea, the Politics of Survival in Singapore etc.). The developmental regime put in place in Indonesia after it had established a developmental dictatorship—'the restructuring of state socialism' through economic growth—is said to have been the model for Myanmar (Iwasaki 1998: 134).

development were recognised and the countries that succeeded were those capable of enacting export-driven policies, tailor made to their resource endowments. Finally, with regard to stage (4), as the economies under the planned economic regions were liberalised and transformed to market economies, state-planned industrial development faced inevitable overhauling. This marked the end of the age of developmentalism.[60] The three central concepts characterising the 'post-developmentalism era' were globalisation, economic liberalisation and democratisation (op. cit.).

With the adoption of policies emphasising agriculture since the end of the 1980s, it has been demonstrated that Burmese farmers respond swiftly when provided with the proper incentives. The new emphasis on the importance of taking such things as minority groups and environmental protection into consideration brought about a refreshing change (Myat Thein 2004: 178–182). In the early 1990s, both imports and exports increased dramatically and with the establishment of the Privatization Commissio n in January of 1995, efforts aimed at privatisation were stepped up (although it cannot be said that the desired progress was easily achieved) (ibid.: 151, 156–157).[61] The end of the same decade saw a growth in the export of textile goods.

Meanwhile, after the SLORC changed its name to the State Peace and Development Council (SPDC) in November of 1997, government intervention into the market increased (ibid.: 6, 175). As for industrial policy, while touting the industrialisation of agriculture and respect for small businesses, the government maintained its import substitution policies (Chit So 1999: 139). In light of the increase in the contribution of Burma's primary industries (agriculture and forestry) to the GDP from 47 % in 1980 to 60 % in 2000 (in current-year prices),[62] one could hardly say that Myanmar experienced remarkable industrialisation in the last decades of the twentieth century.

Although Suehiro's stages (1) and (2) apply loosely to Myanmar, the country's political path during the respective periods differed in some important aspects from those of other East and Southeast Asian countries (e.g. Thailand, Singapore, the Philippines and Korea). For example, Myanmar never explicitly declared development as its guiding principles and never showed explicit interest in developing and managing such groups of professional bureaucrats and technocrats as represented by NEDA (the National Economic Development Authority) in the Philippines. Additionally, it did not proactively pursue private investment or foreign direct

[60] Based on the experience in Asia, it can be said that once developmentalism succeeded, its political usefulness declined. Developmental dictatorships supported by developmentalism tended to fall apart once the underlying system of single-party rule collapsed. Business groups nurtured under developmental dictatorships became disobedient and people started to criticise the government. Pressure to democratise came from both within and outside of the country. Although their specific circumstances differed, Singapore, Indonesia, Malaysia, Thailand, the Philippines and South Korea all experienced similar transformation processes (Iwasaki 1998: 134–41).

[61] Between 1990 and 1999, the ratio of exports and imports to GDP fell continuously (according to reports from the IMF and UNCTAD, as quoted by Myat Thein (2004: 156–57).

[62] According to the *Key Indicators of Developing Asian and Pacific Countries*, published by the Asian Development Bank

investment (FDI) and never officially announced an anti-communist stance, instead advocating a socialist path. It appears that neither a growth-oriented value system nor the Islamic concept of 'sharing' has ever taken root in the country as a common bond for national unity. Perhaps Myanmar stood as a rare case in which the militarily leadership could push forward national unification based on a principle of socialism.

After the 1990s, Myanmar remained at stage (2) for a long time. It then jumped to stage (4), under the impacts of the rapidly changing international environment and without having experienced the socioeconomic structural transformations that were characteristic of other East and Southeast Asian nations in stage (3). This, however, did not mean that Myanmar has arrived at stage (4). The clear difference between Myanmar and other East and Southeast Asian states was that the former's 'developmentalism', if anything, was not sufficiently successful to register improvements in the low level of personal consumption (both relatively and absolutely).[63] Myanmar's urban middle class most likely remained politically immature, and in that sense, the foundation for establishing parliamentary democracy has remained incomplete.

Two factors contributed to the emergence of developmentalism in Asia after the end of the Second World War. Firstly, few of the Asian countries that had been under colonial rule until the end of the War were able to easily achieve economic growth during the period from the late 1950s to the early 1960s. According to Suehiro (1998: 28), 'developmentalism, which had come to be seen as an inescapable requirement for nation building', won the support of the people, in spite of developmental dictatorship. This was not necessarily because of fear of the tyranny exercised by developmental dictatorship. In the newly independent Asian countries, parliamentary democracy was introduced at a stage when preconditions for a self-reliant economy had not yet been met. Their attempts to manage the economy with liberalist, market-oriented principles resulted in all manner of confusion in the economy, including hyperinflation, high unemployment, corruption, macro-mismanagement and illegitimate elections throughout the region. For this reason, people grew disillusioned with party politics. It is important to keep in mind that these circumstances have made the conservative politicians, as well as the military leaders, keenly aware of the need for an ideology for regulated economy (Suehiro 2002: 12–13).

A second major factor contributing to the flourishing of developmentalism was the commencement of a peace offensive by the Soviet Union against the United States in the latter half of the 1950s. For example, Soviet assistance to developing countries increased approximately 100-fold between 1954 and 1956. This led to a

[63] Even if, hypothetically, the economy had successfully been grown, a significant amount of time would have been required for such success to be reflected in the consumption levels of the public. For example, in reference to Thailand, Suehiro states: 'to be exact, the consumption patterns and lifestyle of the people (and, similarly, per capita GDP) significantly changed in the 1990s (similarly per capita GDP); indeed 30 years after the *Sarit* administration had executed its plan for 'National Development'' (Suehiro 2002: 19).

change in the ideology held by the United States. Specifically, justification was made for state-planned developmentalism (even under developmental dictatorship), exemplified by the stance adopted by the US Kennedy administration (Suehiro 1998: 25–27).

11 Concluding Remarks

In view of the insights gained from the historical records and ideological developments, it seems a meaningful exercise to return to the point of independence and to re-examine the conditions at the time. Consideration can then be given to what Myanmar's ideal economic policy would be in the twenty-first century. As Aung San appropriately pointed out in 1947, it would have been impossible to successfully implement a socialist economy in Burma around the time of independence, when Burma's capitalism, if existent at all, was still immature. By now it has been conclusively demonstrated that, compared to market economies, planned economies are less efficient, are more wasteful and grow at a slower pace. As discussed at the beginning of the present essay, in light of the past experiences and the theoretical understanding of socioeconomic development processes, there seems to be no choice for an economy to grow but to take a path of market development.

However, this by no means implies the adoption of a *laissez-faire* system in which all economic activities are entrusted to the market. Historically markets were formed as a result of the intricate interplay between institutional and cultural factors in the context of social development. In the early stages of economic development, for instance, governmental economic policy plays an important role in nurturing market systems. In mature market economies, there is also an important role for public policy: to support, watch and direct market performance in order to make sure that the market functions appropriately in light of the society's development goals. Needless to say, the nature and the extent of such governmental actions vary depending on time and circumstances. Still fresh are the memories of the financial crisis (the so-called subprime loan crisis) brought on by the overheating of market transactions due to excessive liberalisation of Western financial markets from the end of the twentieth to the beginning of the twenty-first century. The second decade of the twenty-first century in fact marked the beginning of a reassessment of the Reagan/Thatcherism that held the market economy as omnipotent.

It would be appropriate to re-evaluate the economic thoughts of Furnivall and Hla Myint, who had developed a plan of moderation under the U Nu administration. At the same time, it would be important to maintain a clear and objective view of the political and economic aspects of the country's economic development. Looking back on the modern economic history of Japan and that of other Asian countries after the Second World War, one is reminded that it was the initiation of economic development (Rostow's 'takeoff') and its material fruits that provided a condition for generating the political process of democratisation. It is often said that the presence and the growing maturity of a robust middle class is a necessary condition for

democracy to blossom. However, democracy does not constitute an initial condition for economic development. The economic sanctions by Western countries and Japan against the government of Myanmar from the last part of the twentieth century, however justifiable they may have been, functioned as a major factor constraining the country's economic progress. As a result, this undoubtedly contributed to the prolonging of the oligarchy.[64] On the other hand, it was the general public who suffered the most from the sanctions.

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[64] In David Steinberg's opinion, the popular evaluation in Myanmar of the political legitimacy of a given administration has differed subtly from that in the West, particularly since the BSPP administration. In addition to the number of votes garnered in an election, the evaluation depends on the exercise of personal influence and authority. It is in that sense similar to that of the traditional concept of legitimacy. Be that as it may be, Khin Zaw Win notes that after the general elections in 1990—in contrast to the international assessment—there were some signs of improvement in the domestic political environment (both observations are quoted from Ganesan and Hlaing (2007: 6, 9)).

[65] Followings were particularly influential in the writing of this essay: Ganesan and Kyaw Yin Hlaing (2007), Hagen (1956), Ikuno (1973), Myat Thei (2004), Nemoto (2002), Pham (2004), Suehiro (2002), Watanabe (2001).

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