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978-1-107-01588-3 - Burma's Economy in the Twentieth Century

Ian Brown

Excerpt

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Introduction

In 1987, Burma applied to the United Nations for classification as a Least Developed Country (LDC), a status that would make it eligible for relief on its international debt as well as eligible for additional financial assistance from UN agencies.¹ The application was successful. But although clearly impoverished, Burma was in fact strikingly rich in natural resources, including teak, jade, rubies, oil and natural gas, lead, zinc, tin, but above all rice, cultivated in the vast, extremely fertile delta of the Irrawaddy River. Moreover, in the first decades of the twentieth century, Burma, if judged by the production and trade statistics, had been among the most prosperous territories in the East. Yet now, towards the close of the century, it was classified among the poorest nations in the world, grouped by the United Nations with, for example, Lesotho, Burkina Faso, and Rwanda. It was a humiliation.

It was not difficult to identify what, or rather who, was responsible for Burma's economic failure. Freed from British colonial rule in January 1948, Burma had had a parliamentary civilian government for the first decade and more of independence, save for a brief military caretaker administration at the end of the 1950s. But then on 2 March 1962, the military had seized power, and for the following quarter of a century had pursued an isolationist-nationalist, doctrinaire-socialist economic strategy – 'infantile disorder', in the later words of a group of Burmese economists – that eventually brought the country to ruin.²

¹ Tin Maung Maung Than, *State Dominance in Myanmar: the Political Economy of Industrialization*. Singapore: Institute of Southeast Asian Studies, 2007, p. 222. There were three main criteria for LDC status: a per capita income below \$200; a manufacturing sector contributing 10 per cent or less to GDP; and a literacy rate of 20 per cent or less. Burma clearly met the first two criteria: *Far Eastern Economic Review*, 22 October 1987, p. 101.

² Khin Maung Kyi, Ronald Findlay, R. M. Sundrum, Mya Maung, Myo Nyunt, Zaw Oo, et al., *Economic Development of Burma: a Vision and a Strategy*. Stockholm: Olof Palme International Center, 2000, p. 210.

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The dominant political figure in this period was General Ne Win, autocratic and politically ruthless but also unpredictable and capricious, and who, it is said, sought the advice of astrologers on important government decisions.

That military mismanagement and ideological error brought ruin to a potentially prosperous economy is the common public understanding of Burma's tragic failure. This was stated with notable clarity in an editorial in *The Times* in August 2012.

Burma is a pre-eminent example of a nation ruined by the force of bad ideas and the brutal expedients needed to implement them. On gaining independence from Britain in 1948, its economic prospects appeared as bright as any nation's in South East Asia. With plentiful oil reserves, Burma grew rapidly in its early years of independence, on the strength of exports of primary products. Yet its per capita GDP is now about one eighth that of its neighbour Thailand. The difference is attributable largely to malign ideology.

Instead of openness to the global economy, Burma practised autarky and import substitution under a tyranny that shut itself off from the world. The fruits of the dictatorship of General Ne Win, who seized power in a military coup in 1962 and held it till 1988, were penury and repression. This peerless crank used astrology to guide his erratic and brutal policies.³

This approach to understanding Burma's economic failure – but of course developed with detail and nuance – is also found prominently in the scholarly literature. For example, reviewing the state of the economy in 2010, Sean Turnell declared that: 'The dismal state of Burma's economy is the product of nearly 50 years of wilfully inept economic management under a military regime that took power in a coup in 1962 and soon after, instigated a program known as the "Burmese road to socialism."' ⁴ Or again, Anne Booth, in the final sentence of a comparative study of economic development in East and South East Asia, focuses firmly on General Ne Win. His failure to pursue growth-promoting policies, she argues, was a reflection of his own personality and predilections: 'other [Burmese] leaders could well have chosen different policies, with different results, not just for

³ *The Times*, 21 August 2012, p. 2.

⁴ Sean Turnell, 'Finding dollars and sense: Burma's economy in 2010', in Susan L. Levenstein (ed.), *Finding Dollars, Sense, and Legitimacy in Burma*. Washington, DC: Woodrow Wilson International Center for Scholars, 2010, p. 21.

economic growth but also for the welfare of [Burma's] citizens'.⁵ And as a final example, the group of Burmese economists who were to refer to 'our years of infantile disorder with socialism', unsurprisingly saw that period, 1962 to 1988, as 'undoubtedly . . . the most disastrous in the entire modern economic history of Burma'.⁶

This book is built on the argument that Burma's development failure in the second half of the twentieth century is more fully understood, not by focusing on the mismanagement of the economy by the military from 1962 and the misjudgements of the Burmese road to socialism, severely damaging though they undoubtedly were, but by establishing a much longer historical perspective. Specifically, it requires an exploration of the legacies of British colonial rule in Burma, including, crucially, Burmese perceptions of their colonial inheritance.⁷ There are two dangers in this approach.⁸ The first is political. The more Burma's development failure is explained in terms of a colonial inheritance,

⁵ Anne E. Booth, *Colonial Legacies: Economic and Social Development in East and Southeast Asia*. Honolulu: University of Hawai'i Press, 2007, p. 204. It might be added that in an earlier paper, Anne Booth had sought to determine whether the argument that the military regime led by General Ne Win was to blame for contemporary Burma's plight was 'an entirely accurate account of the Ne Win years': Anne Booth, 'The Burma development disaster in comparative historical perspective', *South East Asia Research*, 11, 2 (2003), pp. 141–2.

⁶ Khin Maung Kyi et al., *Economic Development of Burma*, pp. 10, 210.

⁷ Two earlier examples of this approach should be noted. Allen Fenichel and Gregg Huff, 'Colonialism and the economic system of an independent Burma', *Modern Asian Studies*, 9, 3 (1975), have argued that 'it was largely colonial-period factors, in particular the relatively weak economic sector left in the wake of colonial rule, that determined the framework within which independent Burma has had to operate. In order to understand the Burmese approach to post-colonial development, the limitations and imperatives imposed by that framework must be taken into account' (p. 321). Elsewhere they argued: 'The economic development problems Burma has had since gaining independence in 1948 are closely related to the impact of British rule': A. H. Fenichel and W. G. Huff, *The Impact of Colonialism on Burmese Economic Development*. Montreal: McGill University, Centre for Developing-Area Studies, 1971, p. 30. And Tin Maung Maung Than, *State Dominance in Myanmar*, ch. 2 and pp. 305–7, has explored the ways in which 'the historical experience of Myanmar's first encounter, under British rule, with modernity and the international political economy' – the Burmese perception of their colonial inheritance – strongly influenced the approach of the Burma-Myanmar ruling elite to the challenges of economic development (p. 305).

⁸ The following is taken with minor adjustments from Ian Brown, 'Tracing Burma's economic failure to its colonial inheritance', *Business History Review*, 85, 4 (Winter 2011), p. 726.

the less the responsibility for that failure might be said to lie with its military rulers – an unpalatable conclusion for many observers and activists.⁹ But then so be it. The second danger is the danger of historical determinism. Thus were it to be argued that a particular economic strategy pursued by Burma's military rulers was heavily influenced, even determined, by their perception of Burma's colonial experience, that argument easily slides into the assertion that no other economic strategy was possible. Bound as it was by the colonial inheritance, Burma's military had no alternative. The past imprisons the future. The danger of historical determinism is a serious one in the present context.

To adopt a longer historical perspective, as proposed here, also fits a broader agenda. With the violent suppression of anti-regime protests in 1988, the apparent failure of the military to honour the results of multi-party elections for a constitutional assembly held in May 1990, the near-constant reports that the regime had been committing serious human rights abuses, and the detention of Aung San Suu Kyi, the 1991 Nobel Peace Laureate, held under house arrest for a total of fifteen years between 1989 and 2010, from the early 1990s Burma-Myanmar emerged as a major focus of international concern and protest. But the dramatic nature of the events that suddenly brought Burma-Myanmar to worldwide condemnation, perhaps most notably the continuing detention of Aung San Suu Kyi, has led to the exclusion of the historical context from much of the public debate and understanding. In the eyes of most of the world, the history of Burma begins in 1988. Or as Thant Myint-U has commented, 'analysis of Burma has been singularly ahistorical, with few besides scholars of the country bothering to consider the actual origins of today's predicament'.¹⁰ And essentially the same point has more recently been made by Michael and

⁹ A conclusion made still more unpalatable by the fact that 'The colonial period is . . . cited [by the military] as the root cause of most of the problems facing the state.' David I. Steinberg, *Burma/Myanmar: What Everyone Needs to Know*. New York: Oxford University Press, 2010, p. 38.

¹⁰ Thant Myint-U, *The River of Lost Footsteps: Histories of Burma*. London: Faber and Faber, 2007, pp. xiii–xiv. Indeed Thant Myint-U suggests a possible connection between the ahistorical nature of much analysis of Burma's contemporary 'predicament' and the fact that the 'myriad good-faith efforts' by the United Nations, individual governments, NGOs, and thousands of activists to bring about reform in Burma have, at best, produced disappointing results and may well, in his view, have unintentionally held back change.

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Maitrii Aung-Thwin: 'the *external* perspective of Myanmar today is based on a single event – the "crisis" of 1988'.¹¹

The central aim of the present book, therefore, is to explore that historical context, specifically to understand 'the actual origins' of Burma's development failure in the second half of the twentieth century. It begins with the economy of Burma at the opening of the century, prosperous – for some, possibly many – but with serious structural weaknesses, the legacies of which continue to haunt Myanmar a century later.

¹¹ Michael Aung-Thwin and Maitrii Aung-Thwin, *A History of Myanmar since Ancient Times: Traditions and Transformations*. London: Reaktion Books, 2012, p. 34. The emphasis is in the original.

1 *The economy at the beginning of the twentieth century*

A jewel in the imperial diadem

In the preface to a 'comprehensive treatise' on Burma published in 1901, a former British official declared the territory to be 'one of the richest provinces of our Indian Empire', adding on a later page, rather more poetically, 'one of the brightest jewels in the Imperial diadem of India'.¹ There was much to sustain that view. To judge by the near-relentlessly rising production and trade statistics, the vast rural expanses under commercial cultivation, and the crowded wharves and hectic commercial streets of the capital, Rangoon, Burma at the beginning of the twentieth century was indeed a prosperous possession, a notably valuable component in Britain's eastern empire.

Colonial Burma's economic position was built mainly on the cultivation and export of rice. In the first decade of the twentieth century, Burma exported on average 2.17 million tons of rice and paddy (rice grain still in the husk) each year, making it by some distance the single most important rice-exporting country in the world. Just over one-third of those exports was sold in Europe, partly for use as food and fodder, in brewing, and in the manufacture of starch, but also for re-export, after re-milling, to Cuba, the West Indies, West Africa, and South America. A further quarter or more was shipped to India and Ceylon, for India, prone to scarcity and famine, had long regarded Burma as a granary from which any large or unexpected demand could at once be supplied. The final substantial markets for Burma's rice in the first decade of the twentieth century were China and Japan and, more importantly, South East Asia. Rice shipped to South East Asia – Singapore was an important initial destination – fed the populations of immigrant Chinese and Indians in the Malay States, Straits Settlements,

¹ John Nisbet, *Burma under British Rule—and Before*. Westminster: Archibald Constable, 1901, vol. 1, pp. v, 453.

and the Netherlands East Indies engaged in the production, processing, and shipping of those territories' principal commodity exports, tin, tobacco, sugar, and rubber.²

Burma's rice was cultivated across the vast deltaic plain of the Irrawaddy and Sittang rivers. With an annual rainfall of between 80 and 130 inches (brought largely on the south-west monsoon between May and September), the high temperatures of those latitudes, extremely fertile soils (the land being constantly replenished by fresh silt brought down by the rivers), and the unending flatness of the landscape, this is a region ideal for the cultivation of rice.³ Exploiting that marked comparative advantage to the full, in the first decade of the twentieth century, around seven million acres, and rapidly rising, were under rice in lower Burma.⁴

This most important of colonial Burma's industries was built on the labour of tens of thousands, if not hundreds of thousands, of Burmese agriculturalists.⁵ In reclaiming vast tracts of the delta from nature, preparing the land for cultivation, and then planting, tending, and harvesting the crop, they were the foundation of the industry, the ultimate creators of Burma's wealth from rice. But other communities, immigrant communities, also had important roles in the industry. First there were labourers from India, tens, even hundreds of thousands entering Burma annually in this period. Each year, gangs of Indian labourers moved through the rice districts to assist in the planting and then harvesting of the rice crop, their presence clearly important during these few weeks when the demand for agricultural labour soared. But Indian labour was still more important in the subsequent processing and shipping of the crop. The majority of the unskilled and skilled labourers in the rice mills were Indian. In the big mills at the ports, notably Rangoon, it was overwhelmingly so. The Indian presence was still more pronounced on the Rangoon docks: in this period, dock labour work was quite simply an Indian preserve.

² Cheng Siok-Hwa, *The Rice Industry of Burma 1852–1940*. Kuala Lumpur: University of Malaya Press, 1968, pp. 201, 203–4, 211, 213–14, 222.

³ *Ibid.*, pp. 21–2; Charles A. Fisher, *South-East Asia: a Social, Economic and Political Geography*, 2nd edn. London: Methuen, 1966, pp. 52, 422–4.

⁴ Cheng, *The Rice Industry of Burma*, pp. 241–2.

⁵ This broad description of the racial structure of colonial Burma's rice industry draws on Cheng, *The Rice Industry of Burma*, and Michael Adas, *The Burma Delta: Economic Development and Social Change on an Asian Rice Frontier, 1852–1941*. Madison, WI: University of Wisconsin Press, 1974.

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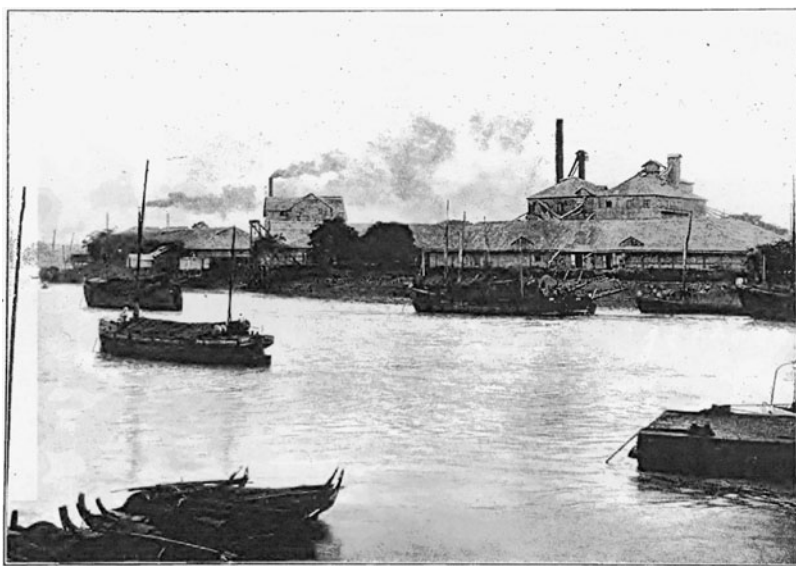
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Figure 1.1 The steam-powered rice mills at Pazundaung Creek, Rangoon, in the early twentieth century

Source: Scenes in Burma: an album of 125 views depicting the principal features of interest in Rangoon, Lower Burma, Upper Burma and the Shan States.
Rangoon: Whiteaway, Laidlaw, n.d.

Far fewer in number among the Indians arriving in Burma, but of comparable economic importance, were Chettiar moneylenders from Madras. The Chettiars had been involved in commercial lending for centuries, and in the final decades of the nineteenth century, their operations extended into many parts of South East Asia. They were a major presence in British Burma, where they lent on a very substantial scale to the Burmese rice cultivators, both directly but also indirectly – that is, the Chettiars lent to local Burmese moneylenders who, with those funds, then provided loans to the cultivators. Chettiar capital financed, in long-term loans, the reclaiming of the delta and the preparation of the land for cultivation: and then, in short-term loans it financed each rice crop, from planting through to harvesting. There were also significant Indian interests in rice milling and, more importantly, in the rice trade. Perhaps not surprisingly, the substantial trade in Burma's rice to India came to be transacted almost entirely by Indian merchants. It should be added that there were also Chinese moneylenders, rice

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mill-owners, and rice merchants, although they were fewer in number than the Indians, and less economically significant.

European commercial interests in colonial Burma's rice industry were concentrated in milling at the ports and in the export trade, where indeed they were dominant at the beginning of the twentieth century. Among the European rice interests, just four firms dominated – Steel Brothers, the Anglo-Burma Rice Company, Ellerman's Arakan Company, and Bulloch Brothers. In addition, Burma's rice was shipped mainly by British lines, including notably the British India Steam Navigation Company, the Asiatic Steam Navigation Company, Bibby Line, and the Ellerman Hall Line.

In the first decade of the twentieth century, rice and paddy accounted for around three-quarters of the total value of Burma's seaborne exports, a remarkable degree of domination by a single commodity.⁶ Burma's second most valuable export in this period, accounting for around one-tenth of the total value of seaborne exports but rising, was petroleum products, principally kerosene but also paraffin wax and candles. The main oilfields were in the southern part of Burma's dry zone, some 300 miles north of Rangoon, at Yenangyaung, Chauk, and Yenangyat.⁷ Oil had been drawn from the ground in this part of Burma possibly for centuries but the modern industry, using capital-intensive technology in both extraction and refining, had been established only from the late 1880s. The modern industry in colonial Burma was a preserve of foreign interests – the Indo-Burma Petroleum Company (a joint initiative between Steel Brothers and Abdul Kadar Jamal, an immigrant from India who, arriving in rags, had in time built an important Rangoon merchant firm), the British Burmah Petroleum Company, the Asiatic Petroleum Company (a merger of the Royal Dutch and Shell and the Paris Rothschild oil marketing agencies in the East), and, dwarfing all others, the Burmah Oil Company. Formed in 1886, in the first decade of the twentieth century Burmah Oil was producing,

⁶ Calculated from Maung Shein, *Burma's Transport and Foreign Trade (1885–1914) in Relation to the Economic Development of the Country*. Department of Economics, University of Rangoon, 1964, pp. 218–19.

⁷ The following draws on Maung Shein, *Burma's Transport and Foreign Trade*, pp. 165–76; 'Oilfields of Burma', in Arnold Wright, H. A. Cartwright and O. Breakspear (eds), *Twentieth Century Impressions of Burma: its History, People, Commerce, Industries, and Resources*. London: Lloyd's Greater Britain Publishing Company, 1910, pp. 207–12; and T. A. B. Corley, *A History of the Burmah Oil Company 1886–1924*. London: Heinemann, 1983.

on average, almost 90 per cent of Burma's total output.⁸ It had refineries at Dunneedaw and, more importantly, at Syriam, both close to Rangoon, the crude oil from the company's wells to the north being pumped to these installations through a 275-mile pipeline. In 1904 Burmah Oil employed more than 7,500.⁹ Of that total, over 80 per cent were Indians and just 14 per cent were Burmese. In the refineries, the Indian domination was greater still. Less than 3 per cent of the staff was European or Eurasian, presumably Burmah Oil's senior managers, engineers, and technicians.¹⁰ And finally it should be noted that over the first decade of the twentieth century, the volume of Burma's exports of kerosene, its most important petroleum product by far, rose ten-fold.¹¹ Burma's kerosene exports were, bar a tiny proportion, exclusively for India.

The third most valuable of Burma's seaborne exports in the first decade of the twentieth century, accounting for around one-twentieth of total export value but falling, was teak.¹² Although it was also cut by Burmese lessees and by the Burma Forest Department, often employing small-scale Burmese contractors, in this period the extraction, milling, and export of Burma teak was largely and increasingly dominated by just five British concerns – Steel Brothers, Macgregor and Company, Foucar and Company, T. D. Findlay and Son, and, most importantly, the Bombay Burmah Trading Corporation.¹³ The companies held important leases at this time in the Chindwin, Shwebo, and Pynmana forests, towards and in the north, but in fact worked concessions in many different parts of Burma. After being felled, the teak was

⁸ Maung Shein, *Burma's Transport and Foreign Trade*, p. 168.

⁹ Corley, *A History of the Burmah Oil Company 1886–1924*, pp. 149–50.

¹⁰ As a final comment here on Burmah Oil, in 1909 it established the Anglo-Persian Oil Company, later British Petroleum, later still BP. In other words, Burmah Oil was the parent company of that eventual giant, and indeed, together with the British government, long held the bulk of Anglo-Persian's ordinary shares.

¹¹ Calculated from Maung Shein, *Burma's Transport and Foreign Trade*, p. 269.

¹² Calculated from Maung Shein, *Burma's Transport and Foreign Trade*, pp. 218–19.

¹³ The following draws on Raymond L. Bryant, *The Political Ecology of Forestry in Burma 1824–1994*. London: Hurst, 1997; F. T. Morehead, *The Forests of Burma*. London: Longmans, Green, 1944; E. J. Foucar, 'Teak', in Wright et al., *Twentieth Century Impressions of Burma*, pp. 184–93; Maung Shein, *Burma's Transport and Foreign Trade*, pp. 160–5; and A. C. Pointon, *The Bombay Burmah Trading Corporation Limited 1863–1963*. Southampton: Millbrook Press, 1964.