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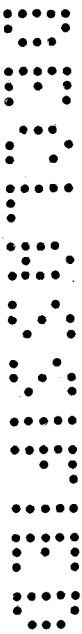
The Role of the Small Country in International Power Politics: Case History - Burma

By

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June 1961

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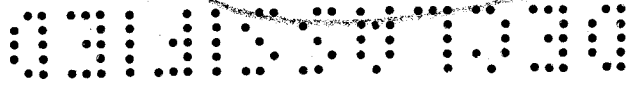
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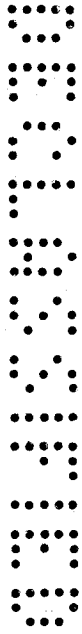
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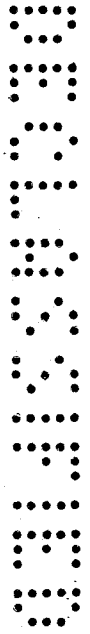
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PREFACE

Two factors stand out in the current atmosphere in which interactions among states take place today. First, the situation created by the number of new states emerging from primitive societies which had lain dormant for thousands of years at the same time that the dissatisfied masses in areas with histories of earlier cultures and power positions are demanding improvements in modern conditions of living. Secondly, the image of America long held by other nations has undergone several changes since World War II. America's great military strength; its economic and material advantages; its own history of successful revolution; its freedom-loving, democratic social environment led to soaring expectations of its international leadership. That role, difficult enough in a peaceful world, was made even more complex by the Communist doctrine of international political dominance which, complicated by national drives, thrives on chaos.

The impossible total demands on America for military protection, economic support and skill in applying it in the face of political realities in the U.S. and abroad, have resulted in some disappointments and loss of faith. Yet, at the same time, the realities of America's economic strength and technological skill and the many real achievements acknowledged over the last two decades lead to continuing resurgence of expectation. America today has a preeminent role in determining the course of future events.

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The areas where the U.S. has been less successful in achieving its objectives have been those in parts of the world where the cultures, aspirations and points of view of the peoples have been so very different from its own. It is the thesis of this policy study that one of the most difficult problems the U.S. faces and must solve is how to understand the people and their leaders and thereby better anticipate reactions in the underdeveloped areas. The Western World makes, it would seem, a serious mistake in expecting these countries to react as it would under similar circumstances; in expecting to find there the same hopes and fears for the future and the same inclination to take collective measures to provide for them.

Although the various strata of U.S. official agencies accept this definition of the problem in intellectual terms, and specialists make scholarly efforts to analyze foreign reactions, still, most policies are determined by the application of Western persuasive techniques.

This paper proposes to try to learn something about a crisis environment before the crisis occurs - to ask some questions about present U.S. policy in a particular country and to explore the choice, if any, of realistic alternatives. The device adopted was to take one small country, Burma, locked in a regional situation which involves the current test of strength between East and West, and see how - with little room for maneuver and less opportunity really to affect the situation by what it does - that country meets the challenges of international politics. What are the factors within the country and its society which influence the decision making of its leaders with particular reference to the short term reaction

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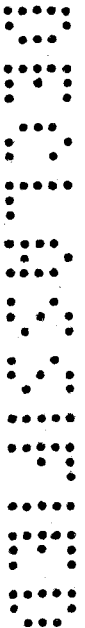
rather than long term policies. How do the leaders achieve and keep political power; what motivates them. Is the populace politically conscious and does it attempt to influence leader choices, or not. If so, what are the peoples' aspirations and expectations? What does the concept "Burma" mean to the average Burmese - the student, the peasant, the soldier, the government worker? Does the Burmese think ahead? Does he regard the next door Chinese Communists as a potential threat. China can only be meaningful to him as he relates it to his experiences with Chinese people. Have these relationships been good or bad?

Similarly, what is the attitude toward the big western countries apparently so far away. Is the U.S. image inextricably merged with memories of British colonial administration? If there is a negative reaction to the West because of colonial memories is it an important but essentially superficial sensitivity but with a basic recognition that western techniques bring western living standards and western defensive strength. Does the desire to have these supercede ancient slights to pride. Or is the resentment deeper; so deep, that the desires will be sublimated to the wish to see the West overcome?

Do the Burmese below the top level of the educated, foreign-trained privileged groups have identifiable desires for a "better" way of life? Does this translate into better housing, better education, better health standards, a more varied diet, a motor car, roads? If not now, will improved education bring these wants within a decade? Or if they exist are they transmitted to the political leadership - or, conversely does the leadership seek to develop these expectations to exploit them for political purposes?

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To what extent is India an important influence on Burmese leadership through trade relationships; the Nehru-U Nu relationship; the similarity in certain internal political problems; the neutralist policy? Why has Thailand - so similar to Burma in many ways - chosen a different policy? What is Thailand's influence, if any, on Burma? Is it realistic to expect the several small Southeast Asian powers to band together in so-called 3rd force for security and for economic progress. Could Japan play a role in this? If reasonably accurate answers to some of these questions can be found perhaps some clues may appear which would lead to the adoption of more persuasive U.S. techniques in an effort to influence nations far removed from us in outlook. What would be the consequent effect on U.S. policy formulation?

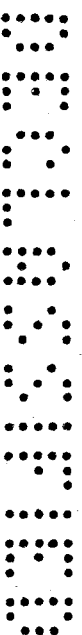


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I. BACKGROUND

The outstanding fact about Burma is that it is not yet a single unified country - its most serious problem is finding a way to bring together into a unified concept the various ethnic groups and areas that lie within the national boundaries of what is officially called Burma. The only part of the country that considers itself Burma, where the people feel they are Burmese is the strip of land known as Burma Proper, from Mandalay to Rangoon, bounded on the West by the Irrawaddy River and on the East by the Shan and Karen State borders. This is the seat of Government and the present political leaders are primarily Burmese from this area. The rest of the country is comprised of differing peoples with varying histories mostly involving particular animosities toward the Burmese. The Burmese consider themselves superior in every way to the people of the outlying states. Government officials speak of them openly to foreigners as the "animals in the hills". There is considerably more fear and concern felt about one another among the various groups within Burma than toward vague images of external threats.

When Burma was separated from India in 1937, given a constitution and semi-autonomous rank in the British Empire, it experienced responsible parliamentary government for the first time - Burmese officials had to come to grips with such issues as agricultural and credit reforms and improved village administration. For the first time Burmese themselves were forced to a realistic consideration of problems of public affairs.



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Thereafter, and in fairly rapid order came World War II, Japanese occupation, the withdrawal of British domination and the vacuum in leadership which provided the necessity and the opportunity for Burmese national leaders to come to the fore. Political initiative was first shown during the occupation when the groundwork was laid for the Anti-Fascist People's Freedom League and when many political components were born including (with outside help) the Communist Party. Underground activity and guerilla warfare were the first step. Complete independence and the ousting of the British came after that. Burma became a free nation on January 4, 1948. With that independence came problems growing out of inexperience at every level of public administration; factionalism in domestic politics and the evolving critical nature of external affairs requiring the most delicate maneuvering.

The keystone of all Burmese policies has been non-alignment. Like so many other policies, neutralism is not based on direct cause but developed out of other basic drives. As U Nu said before the Press Club in Washington in 1955 "...our recent history is such, our experience with great powers is such, that in the minds of the people in Burma (italics mine) an alliance with a big power immediately means domination by that power. It means the loss of independence. You may question the validity of that belief. But perhaps you will accept my statement that it is a political fact of life today that any Government of Burma which aligned itself with a big-power bloc would at once lose the confidence and support of the people."

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The ability of a nation to make its own foreign policy decisions, without the pressure of outside domination, became in the eyes of the Burmese people the test of independence. The permanent Secretary of the Foreign Office, James Barrington, described Burma's "neutrality" as not neutrality between right and wrong. It is neutrality in the sense that in an extended conflict in which neither side is absolutely right nor absolutely wrong, she refuses to line up absolutely with either side. Thus, her policy of judging each individual issue as it arises strictly on its merits causes her to vote sometimes with one side sometimes with the other, or to abstain where the issue is not a clear cut one.

Burma spurned Commonwealth membership although remaining in the Sterling area. It refused to consider membership in SEATO. Its voting record in the UN has been almost a model of impartiality - it condemned Chinese action in Korea yet supports its admission to the UN; it condemned Soviet action in Hungary and British action in Egypt - it took violent exception to the presence of Nationalist Chinese troops in Burma and made an issue of the case in the UN over the protests of the U.S. It cancelled a military alliance in 1953, and suddenly refused aid from the U.S. in a panic because it suspected a connection between that aid and the strengthening by Nationalist Chinese in Burma of their border installations.

Burma will talk to anyone, its leaders will travel anywhere, accept help from any source so long as there are no conditions attached which it feels will affect its neutrality. It places a high value on its UN membership and hopes to play there an important role in world affairs.

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Burma's relations with the U.K. are friendly and respectful. It - or rather U NU - tends to believe evil rather than good of the United States. He doesn't trust the U.S.S.R. - but feels it is far away and less of a threat. Burma is convinced it must remain on good terms with the Peoples' Government of China and give it no provocation.

In early 1958, the loosely knit coalition, AFPFL, expelled the Communists, but, torn by internal dissent, collapsed and split into two factions - U NU's snaller "Clean" faction, and U Ba Swe and U Kyaw Nyein's "Stable" faction; the latter retaining most of the organizational assets of the AFPFL. To stay in power, U NU accepted the cooperation of the Communist led National United Front - but his increasing accommodation with Communists, corruption, inefficiency and rumored action against the Army led to an Army coup in October 1958, and General Ne Win took over. The transition was a more or less graceful one with U NU "resigning" and Ne Win insisting his was a "caretaker" government. He was as good as his word and when the 1960 elections were a personal triumph for U NU, he voluntarily relinquished control back to civilian authority.

250 Parliamentary Seats
166 U NU's (Clean Party)
42 Stable Party
28 Scattered among fragment parties.
13 Vacancies
1 Communist

During the Army's control, there was a vigorous program of house-cleaning and reform, particularly in the economic and public administration areas. Vigorous steps were taken against the Communist Party and insurgent groups. It has been said that the primary determinant in Burmese policies

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in the future will be the relationship between U NU and the Army. The latter, assuming a watch dog role, was expected to maintain close surveillance and should U NU's closer movement to the Communists and lessening resistance to Bloc pressures appear dangerous, Ne Win was thought to have been likely to move in. Nevertheless, the personal popularity of U NU among the people - won among other things by his actions in promoting a religious revival cannot be overlooked and the Army will be cautious.

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II. CURRENT SITUATION

1. Political

In the Spring of 1961, U NU and his party appeared to be relatively politically secure although within the Union Party, factions struggled for power. Stability really depended upon U NU himself and his personal image. He is the epitome to the Burmese of all that is admirable - particularly in his devout adherence to Buddhism. His own estimate of the political scene is so assured that he planned in May 1961 to make one of his periodic retreats into a monastery for 45 days of meditation and seclusion.

The Prime Minister has succeeded at least for the moment, in establishing his authority, and the impression that General Ne Win and his army are waiting in the wings, ready to take over if the government should become too conciliatory with the Chinese communists has less and less creditability. In January, certain Army colonels are said to have expressed vigorous objection to the course of events as U NU courted Chou En Lai. U NU acted swiftly, and despatched sixteen of the more active officers to distant embassies in various kinds of diplomatic capacities. Ne Win stood by - if this were a test of strength, he lost by default.

2. Military

The military picture in Burma is not easy to define. Since the relinquishment of power in 1958 back to the civilian government, its political influence seems to have waned. Various theories are expressed as to the reasons for this. It is said that General Ne Win's earlier

strong anti-Communist tendencies derived from his deep concern over the boundary claims made by the Chinese Communists for Burmese territories. When these were settled greatly to the advantage of the Burmese (as a result of Chinese concessions supposedly to recoup prestige lost in Southeast Asia after the Tibetan border activities), after Ne Win's visit to Peiping in 1960, the attitude of the General seemed to change greatly. The solution of the Chinese border problem was apparently something to which he had dedicated his life and career; when it dropped into his lap, his primary political reason for anti-communism presumably, was removed.

Other speculations involve references to Ne Win's erratic, emotional personality, given to sudden changes in attitude and unpredictable. The election of 1960 which gave Ne Win a conclusive defeat was a serious blow to his political beliefs. He interpreted it, as a repudiation of his administration of the government during the caretaker period and of the innovations on behalf of more efficient administration. Without the sixteen aggressive colonels and with the deterioration, for whatever reason, of Ne Win's interest and enthusiasm for political activity, there seems little likelihood that the Army will perform a similar political role to that it undertook in the past.

The phenomenon of the Defense Services Institute may also have an influence on the disinclination of the Army to create dissension which would have a disruptive effect on economic activities. Growing out of typical Post Exchange/NAAFI type operations, the Defense Services

Institute now comprises approximately 17 industries run by army personnel as state-owned enterprises without interference from the rest of the government. Under the terms of the act of 1961, establishing the Economic Development Corporation, the Army controls licensing and has complete charge of foreign exchange and fiscal policies as they pertain to the industries under its control. DSI now owns exclusively or in partnership with foreign firms, a bank, a shipping line, a department store, a spark plug factory, a radio assembling plant, a textile factory, a taxi system and a number of other enterprises - variously estimated at from 5 or 10% to 20% of total industrial activity.

3. Economic

Burma has a population of over 20 million, a GNP of about \$1.2 billion and is said to have a per capita income of about \$57. Per capita income figures are, at best, unsatisfactory. \$57 ranks low even among Asian countries, but there is considerable evidence that this is too low an estimate by a substantial margin. Persons familiar with Burma and with other countries in the area are convinced that general standards of well-being in Burma are much higher than in India or Pakistan, perhaps as high as Ceylon.¹ It has abundant arable land, valuable forests and extensive mineral deposits. Rice is by far the most important product, provides about three-fourths of the country's exports, and profits from the government's rice export monopoly are an important source of government revenue.

There has been some price inflation in Burma; but the economy is fairly stable and reserves of gold and foreign exchange are satisfactory for a country at Burma's level of economic activity.

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Before the war India was Burma's most important customer, exchanging light manufactured goods for Burma's rice. India is still Burma's largest market (see below). Other important rice buyers are Pakistan, Indonesia, Singapore, Malaya, Ceylon and the British African territories and China (through Ceylon primarily.)

Since Independence the Government has been keenly interested in promoting industrialization and has, itself, established several new industries--sugar refineries, cotton spinning and weaving mills, a steel rolling mill and jute and twine factories.

While socialism is professed the Government places more and more emphasis on industrial development through private enterprise. Notwithstanding xenophobic tendencies, foreign investment is encouraged and a substantial number of British firms remain although in most cases they must have silent Burmese partners.

Since the war the balance of trade has generally shown a surplus but invisible transactions have led to unfavorable balances of payments and pressure on foreign exchange reserves, in spite of stringent controls on personal remittances and transfers of profits on capital.

Commercial trade with the US has been negligible. Trade with the Soviet Bloc has been mainly under barter arrangements not always beneficial to Burma.

Since 1956, imports have been strictly controlled to conserve foreign exchange. Less than 10 per cent of the total value of imports now comes

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in under open general license, as compared with over 50 per cent in 1952-53. The narrowing scope of open general licensing, in addition to controlling the composition of imports, affords more opportunity for promoting the "Burmanization" of trade. Official policy has been to reserve at least 60% of import licenses for Burmese nationals, in an effort to reduce the dominance of Burma's foreign trade by Indian and European firms.. The Burmanization of trade has led to a great increase in the number of registered Burmese importers, but many of these are only nominal importers who, in effect, sell their licenses to more experienced foreign firms. The most recent step in the Burmanization policy was a directive issued in February 1960 forbidding the import, after June 1960, of goods not represented by commission agents who are Burmese nationals. This policy has had a stultifying effect on business activity, particularly in non-Burma proper parts of the country.

Burma has pursued a number of 4 year plans, the most recent of which was announced in April 1961. These plans are characterized by excessive optimism and a lack of realism in relating requirements and resources which, along with the inability of the Burmese to adhere to any preconceived plan, has left them unfulfilled.

Commenting on the Draft Outline of the Second Four Year Plan prepared by the Ministry of National Planning, a competent American observer noted these deficiencies:

1. Per capita income rise is disassociated from any casual relationships with other economic or social elements - the impression is that it comes about simply with the passage of time.

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2. Net capital formation goals for each of the 4 years exceed by 36% the highest ever attained before, if one assumes a probable capital-output ratio of 3:1.

3. Nearly half of all public investment during the 4 year plan period is earmarked for transportation and communication - while extremely necessary, such input in basic facilities does not yield calculable returns for a long period - yet this time factor has been eliminated from the capital - output ratio used by the government.

4. Surprisingly, heavy weight is put on the product of the private investment sector - the goal cited would represent an increase of 74% over the average figure for the years 1952-1960 or 33% greater than the highest private gross investment figure attained during the period. How this greatly improved climate for private activity would be achieved - especially in the face of closer rapport with the Chinese Communists and rising insurgency, is not described.

5. These private funds are expected to flow from savings whose availabilities are calculated on totally unrealistic bases - and no account has been taken of the availability of foreign exchange to balance local currency investment.

6. Foreign exchange requirements have been calculated, as far as the Draft Outline goes, out of the air. No cost estimates are attached to program projects. A conservative estimate is that for the projects listed, twice as much foreign exchange as that estimated would be required. References to availability under foreign loans are not at all in concert with the facts of the agreements as published.

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In other words, the Draft Outline, purportedly the best effort of the government is thoroughly inadequate as a planning instrument. The plan has been characterized by an endeavor to allocate and spread scarce resources among a host of competing uses throughout the widely divergent economic, political, social and cultural sphere. One solution offered is complete concentration one section at a time needing help, e.g. transportation or agriculture; however, it is hard to see how other areas, some in dire need of immediate help - or where returns are extremely long-range - new universities, agricultural diversification, etc. could wait indefinitely for attention.

Burma's principal economic problems may be summarized² as follows:

1) Insurgency. While great progress has been made in restoring internal security, the remaining small groups of insurgents and bandits can exert an adverse influence on economic development out of all proportion to their numbers.

2) Developing export production. The dependence of Burma's economic development on export earnings of one crop--rice--make it important that additional sources of foreign exchange earnings be found. The most promising of such sources are the introduction of other cash crops and the exploitation of mineral deposits.

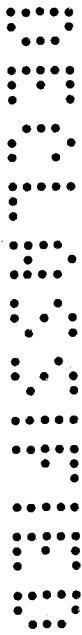
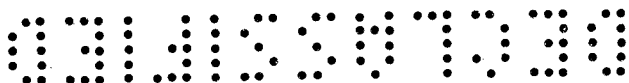
3) Export markets. The movement toward self-sufficiency in food in some of Burma's principal rice customers, notably Japan, which is already self-sufficient in rice, and India, threatens Burma's principal export. This long-run trend, in addition to accentuating the need for diversification of Burmese agriculture, calls for increased efforts to develop new markets for Burmese rice.

4) Technical and managerial talent. Like other underdeveloped states of South and Southeast Asia, Burma suffers from a severe shortage of trained technical, administrative, and managerial personnel. This shortage was reinforced by the tendency under British rule for many important administrative posts to be filled by Indians rather than Burmese. The British left behind them a reasonably effective civil service cadre, but very few Burmese experienced in business or commercial matters.

5) Burmanization of commerce. The Burmese desire to divert trade, commerce, and industry from European and Indian hands to those of Burmese nationals accentuates the shortage of managerial and entrepreneurial talent, and in some areas of the economy distorts normal patterns of business.

6) Transportation. Development in many areas of the country is seriously retarded by lack of transportation. Substantial areas of unused land still exist, but they are located in areas where crops cannot be transported to market. Transportation equipment in use is largely obsolete, and suffers from maintenance problems.

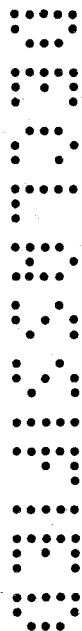
7) Foreign capital. While the Government of Burma recognizes in principle the importance of foreign private capital in economic development, it is seriously hampered in attracting such capital by a number of factors. These include political and economic instability, exchange controls, the policy of Burmanization, and traditional Burmese suspicion of foreigners.



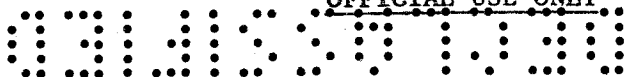
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Against these problems must be set a number of advantages which Burma enjoys by comparison with other underdeveloped countries of South and Southeast Asia. Living standards are relatively high. There is no problem of over-population. The country is rich in natural resources and has no difficulty in feeding itself. With the exception of certain tensions over Indian economic influence, there are no serious communal problems. There is a high standard of personal honesty in public office.



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III. BURMA'S RELATIONS WITH OTHER COUNTRIES IN THE AREA

Before moving to a consideration of what motivates the Burmese Government today, and explore new ways for the U.S. to respond to those motivations in the interests of obtaining its own objectives - it might be useful to place Burma in perspective within its own region of Southeast Asia, and refer to its relations with two powerful states on the periphery, Japan and India.

1. Regionalism:

Relations among Southeast Asian countries are strange. Any real contract among them appears to be unworkable / together they could present a stronger front to external problems and speed their own economic progress. They don't even fight with each other beyond occasional border skirmishes. The basic characteristic is apathy. Because of this, regional action in education, communications, irrigation, etc. will be difficult if not impossible. These reasons are not unimportant in considering the effectiveness of SEATO although many other complicated factors are involved in that effort to achieve a measure of collective security.

2. Thailand

Thailand and Burma, at first glance, appear to have a lot in common. Contiguous, their geography is similar; their lands provide them with fertile soils capable of feeding populations of reasonable proportions, possessed of other resources which permit a more varied economy. Both lack trained manpower and basic facilities in transportation, communication and require vast amounts of capital for investment. In both, the

majority of the people profess Buddhism. They appear to be at relatively the same stage of development toward a more socially and economically advanced society. They are small countries at the mercy of the major powers whose struggle engages the Southeast Asian area. Yet Thailand has joined the collective security pattern of the West and casts its lot, at least for the time being with the Free World. Burma has embarked on a variety of neutralism which, in recent weeks, appears to be "neutral in favor of the East".

The similarities are really all on the surface - the basic differences go deep and reveal some reasons for the respective choices the countries have made. Burma shares a long dangerous border with the Red Chinese. Thailand does not. Thailand - meaning Freeland - is proud of the fact that it has never been under foreign domination. There is no history of colonial rule, hence no built-in antagonism toward the West. Its people are homogenous and closely knit under the unifying influence of a much admired monarchy. There is a strong identity of the people with their government. There are no factions which can be exploited by the Communists.

Burma is not close to being a political entity. It is rent by warring factions of peoples speaking different languages, of different races and with histories of tribal warfare among them. Having gained its independence with relative ease, it has been said Burma is not sure what freedom means or what can be done with it. Its leaders do not appear to understand the processes by which a government mobilizes its resources to achieve its objectives.

One might suppose that these two countries facing similar threats, and confronted by the same problems would either have strong bonds of mutual understanding and friendship, perhaps band together to present a stronger front - or else actively oppose each other. On the contrary, they almost completely ignore each other; rail, air and road communications are extremely poor; cables must go from Bangkok to London to get to Rangoon. The Thais send junior foreign service officers to Burma and it is regarded as an inferior post. There is little travel between them; few students are exchanged; trade and commerce are minimal. There has been no attempt by Thailand to persuade Burma of the advantages or necessities of Western protective alliances. Thailand writes Burma and the Burmese off - would have little confidence in them were they allies.

3. People's Government of China:

There are said to be about 300,000 identifiable Chinese in Burma - that is, those who have kept their Chinese names, retain some ties with the homeland or otherwise have not assimilated completely with Burmese society. Many more in Burma have connections in one way or another with a Chinese past and would be susceptible to influence in a political situation.

Natural aptitudes for business and financial affairs have placed the Chinese in important positions in commercial and banking circles. The fiscal policy of the government is surprisingly sound, organized and operated on a strictly controlled basis, taking no nonsense from other



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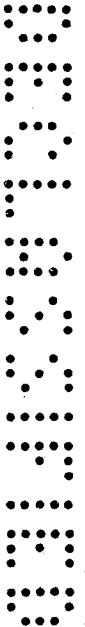
sectors of government. This is in great contrast to other areas of public administration where incompetence, negligence and a low order of efficiency are the rule. Questioned about this paradox a U.S. official pointed out the Central Bank was run by Burmese of Chinese racial origin.

Reports indicate that Chinese elements are increasing for one reason or another. General comments on their political loyalties would indicate that they are susceptible to change as the barometer of East-West competition fluctuates. Recent speculation that the Chinese Communists may be turning from Chiang Kai-shek to Mao Tse-tung are traced to such factors as Burmese recognition of Peiping, frustrations over Chiang's chances of ever recovering the Mainland, Communist influence in Chinese schools and societies, the availability of business loans from the strong Chinese banks closely tied to Peiping, and in general, an indifference to ideologies as long as the local Chinese can identify with a great and powerful country. This commentary made by a Burmese journalist with pro-Western connections nevertheless reflects the consensus on Chinese attitudes by various Burmese and foreign observers on the scene.

Official relations between Burma and the Peoples Government of China have, over the past 18 months, become decidedly closer. Beginning with the amazing (to the Burmese) concessions the Chinese made at the time of the border negotiations, and continuing through various inter-changes of visits between Burmese and Chinese leaders, cultural exchanges and

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highlighted by announcements of different kinds of economic agreements involving loans, grants and trade arrangements, the relationship was sealed on April 16, 1961 with a joint statement which provided for Chinese help in dealing with the continued presence on Burmese soil of the Kuomintang Nationalist Chinese troops. Also provided for in this agreement was the acceptance of Chinese technical assistance teams in Burma to advise on the best use of the \$80 million worth of resources (of which approximated \$30 million is grant aid) promised last January.

4. Japan

Japan has grown more pessimistic about its plans for economic leadership in Southeast Asia as it has been confronted with some of the political problems therein. Potential fissures in Malaya, the combustible situation in Indo-China and expectations of further instability in Burma have rendered it passive in current economic and commercial activities beyond traditional patterns - and, in the completion of the projects involving \$200 million of reparations to Burma. As in other aid arrangements, Burma has not been responsive to the opportunities to put Japanese capital availabilities to their best use primarily because of an almost complete lack of managerial and administrative talent in planning, of technical skills required at every stage; and the inexperience of the private sector with the requirements and procedures of foreign lending agencies. Yet offers of Japanese technical assistance have met with the same resistance as other external aid programs.



While the Burmese are said to have relatively short memories and will bury past grievances for present gain, and at the government level cooperation is good, nevertheless remembrance of experiences during the Japanese occupation still color Japanese-Burmese relations at the people to people level. Some Burmese students go to Japanese Universities but not in great numbers and the prestige is far greater if their degrees come from Western institutions. All in all, Japan is not looked to for leadership - neither in the political, commercial or cultural fields.

5. India

The subject of Indian-Burmese relations is such a broad one and involves so many important historic and social factors that only a few highlights can be included here.

Official relations between India and Burma today are good. India professes to understand completely Burma's predicament and the methods she undertakes to accommodate the Red Chinese with whom she shares a precarious thousand mile border. (Although India, behind the scenes had serious doubts about the implications of the Chinese border solutions, and resented Burma's complacent and patronizing attitude in pointing out how it had resolved a situation while India had not been able to do so.) Indian officials maintain they see no cause for alarm in the recent closer relationship between China and Burma; should cause for concern develop, India has faith in action by the Burmese Army whom it regards as still firmly anti-Communist.

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Premier U Nu has always had a sincere and personal respect for Prime Minister Nehru who responds mellowly to such admiration. There is little doubt that the Burmese leader follows closely the reactions of India to international crises, and while there is no reason to believe it would always act in concert with India, factors which influence Indian action will always be taken into careful consideration by U Nu. Such a position is related directly to the present government. If new leaders should come to power, a reevaluation would be necessary.

The reaction of the Burmese "man in the street" to the Indian he sees is negative; the Indian in Burma is either of an extremely low social order, living in poverty and performing lowly tasks - or he is a bustling commercial type - neither of whom the Burmese finds attractive. Too, the Burmese remembers the slights and officious patronizing attitudes of Indian civil servants employed during the British administration. However, these personal attitudes are not particularly important in assessing relations between the two governments.

Burma is showing some agitation over increased U.S. P.L. 480 programs in 1961 to India, fearful that they may have a negative effect on Indian food imports from Burma. Sensitive to Burma's concern, both the U.S. and India have promised to consult with Burma prior to the conclusion of any agreement in which it might have an interest.

A most interesting subject for further research would be a comparison between the regional problems in India and Burma. Nehru's personal leadership, provides a temporary respite but the racial and linguistic

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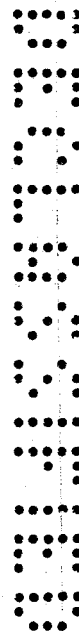
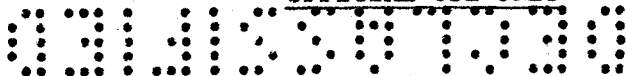
differences in India are a threat to the Congress Party and the future of the Central Government is doubtful after Nehru's demise. For Burma, a similar set of circumstances prevails although, on a much more imminently serious scale than in India. In each case, the chaos which emerges from internal differences, dependence on personalities and the struggle for power provide fertile soil for the sowing of seeds of dissension by the Soviet Bloc.



IV. WHAT ARE BURMA'S FOREIGN POLICY OBJECTIVES;
WILL IT PURSUE THEM?

It has been indicated earlier that the name "Burma" designates a nation only on the surface; in reality the real Burma is an exceedingly limited territory - less than a third of the total area within the national borders. Furthermore, the people in the outlying States as well as the people in Burma Proper do not think of themselves as part of a larger entity in which they have some stake, let alone a voice - they are members first of families, tribes, small villages, whose full time is involved with rivalries with other groups like themselves - over the hills.

U Nu has succeeded in casting a personal spell. The majority of people who vote for him are not voting for a political party - there is not that much difference between the Clean and the Stable factions - nor for an economic program, nor even for a foreign policy. They are voting for a nice man who represents all the qualities admired by most of the people. His separation of himself from "government" - although to the outsider this is difficult to understand - is deliberate and skillful. In the Buddhist faith, "government" along with fire, disease, flood and famine is one of the five evils most assiduously to be avoided. A very probable factor in the repudiation of Ne Win's regime was his misinterpretation of the mood of the people, and his over-estimation of their progress toward political sophistication which he supposed they had acquired with independence and more education.



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The people within Burma's boundaries want most of all to be let alone - by their government and by outsiders. This is a primary reason for the lack of success of technical missions both from the U.S., the U.S.S.R. and the Japanese. It remains to be seen whether or not the Chinese can discover a method for achieving their aims. They should have the best chance since of all attempted persuaders, they probably understand the character of these people the best.

The Burmese are incapable of planning ahead. Tomorrow and what things will be like then, whether better or worse, holds absolutely no interest for most of the people and they cannot be reached through appeals to prepare for it. They will respond at the moment either to the offer of reward (food or goods, sometimes wages) but it must be immediate - or to threats of violence - again the threat must be tangible and immediate.

Most of the dissenting groups in Burma, including the Burmese themselves, may not be consciously aware that they want an end to the continual dacoity and tribal warfare which affects their lives. Yet an end to insurgency is essential if Burma is to progress socially and economically, and if it is to survive as a nation. No other factor is as important - none other is worth considering until this is solved. Whether it can be is speculative - it would take a George Washington or an Ataturk (or a De Gaulle?), and Burma has no leader apparent today with the necessary qualities. Indeed, some say that the present government would be in

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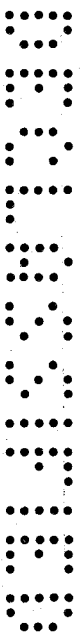
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trouble were the insurgency problem to be solved overnight, since rebellions provide much-needed excuses upon which to blame other ills - and the Government recognizes this. More important, the chaotic conditions in Burma are made to order for Communist activity and the Red Chinese lose no opportunity to exacerbate the situation. They have compounded their advantage by using the recent Cuban and Algerian incidents to accuse the U.S. CIA of aiding and abetting the Karen rebels, and by exploiting the KMT presence far beyond reality. These ploys have the dual effect of keeping Burma in turmoil, and of causing greater deterioration in U.S.-Burmese relations.

In further assessing Burma's wants, recourse must be had to categories of population. There is a vital layer of educated pro-western citizens - educators, journalists, civil servants (U Nyen - executive secretary of ECAFE is an example), businessmen (other than the Chinese mentioned earlier), military leaders (in addition to the sixteen colonels) who appear to understand Burma's needs and are dismayed by recent events. It is impossible for the short term observer to evaluate their number, strength or determination. They do not seem to have a substantial influence on the masses. As far as it can be seen the student element, except for a few, are not particularly interested in politics, domestic or international - although some respond in typical Asian fashion to the emotional catharsis of a riot if someone else thinks it up and organizes it. This group would wish to see a solution found to the insurgent

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problem; better economic planning, utilization of resources; recognition of the implications of Chinese Communist friendship. So far, however, they are doing little to realize their aims.

There is some indication that at the Village Headman level, some desires are expressed for better health, education, housing conditions - some realization that in order for things to be better some outside (government help is needed. A U.S. observer, travelling deep into the Shan state, into the Taunggyi area found economic activity extremely primitive; resignation to the continuance of dacoity; despair about the government's import and foreign exchange policies which keep the small producer from getting trucks, tires, spare parts; vitally interested in getting government and U.S. aid for road improvement but convinced there was little chance of foing so; lack of interest in projects involving Burma Proper and refusal to acknowledge that improvement of facilities there could have any ultimate benefit.

How Burma - or these various categories of "Burmese" will go about getting what they want is hard to say.

There is no apparent strong movement among the pro-western civilians who are concerned by the government's pro-Chinese activities to do more than criticize privately. No impassioned speeches by faculty leaders; no strong editorials; no movements within constituted parties or formation of new political groups. The army has made its gesture and it was unproductive.

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The students do not appear to be a significant factor although they might participate in demonstrations one way or another if properly lead. The peasants have not "awakened" although if approached through their tribal or racial prejudices could be aroused and serve as a cover for any contrived movement. Without strong central leadership, provincial political or para-military (guerilla) or business leaders could not be counted on to take initiative. It is no great discovery that passivity is the primary attribute of the Burmese. How whatever imagination and leadership that may exist can be turned to the advantage of Burma -- and to that of the West in their defense of Burma against complete Communist domination will be discussed in the next section.

The hitherto accepted theory - over-simplified here - of the principle upon which Burmese external policies are based is that as a small country unable to develop and carry out an independent foreign policy of its own, it must wait to react to external stimulus. It is determined to maintain a careful balance in making its choices - acceptance of aid, voting in the UN, participating in international conferences on crises such as Laos - so that it cannot be accused of taking sides. This in itself is a limiting policy since it tends to pre-judge Burmese action in an issue in terms of what it did "last time".

The often-heard comment on the writer's observation that the recent increased rapport with the Chinese Communists was cause for concern was - now, you will begin to see movement in the other direction; whenever there is a pronounced or apparent tendency to cooperate with one side, there

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will inevitably be a falling back and a movement in the other direction to redress the balance. The pendulum theory satisfies many of those with official concern that Burma remain truly neutral and out of the Communist camp. Among these are, most significantly, Indian officials with responsibility for Indian-Burman affairs. They are convinced the Burmese government desires true neutrality and that it is in its interests to do so. They are further convinced that even if there were some doubts about U Nu, the Burmese army is ever watchful and would never permit Chinese Communist influences to become too great.

There seem to be very real signs that in the present circumstances the pendulum may suspend in its eastern swing. And this more pessimistic attitude is represented among those with vital interests involved: a British banker resident in Rangoon; U.S. officials; Burmese businessmen; Burmese educators resident abroad, etc.

These are the reasons, it would seem to this writer, that Burma is coming closer and closer to permanent inclusion in the Communist camp.

1. Communist successes in Laos, and the obvious inconclusiveness of Western positions in the field and at the Geneva Conference table; it seems apparent in the area that Cambodia, Thailand and Burma cannot be far behind on the Communist time table;

2. Latent tendencies in U Nu - who is the Burmese government - to accept the (carefully tailored to Buddhist concepts) Chinese Communist line, viz, his actions just before the takeover by General Ne Win, and

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his natural preference for an ally closer in cultural and geographic terms (the Chinese are not in the same category as other foreigners since racial origins are similar to the Burmese and they, too, have been oppressed by Western rule).

3. The disappearance of the military as an important political factor opposing Communist alignment;

4. There is a latent susceptibility in Burma Proper to a Buddhist-tailored pseudo communist line. The Communist-dominated coalition party received 42% of the votes in 1957. Other parts of the country were anti-Communism is more prevalent as a result of border experiences are not vocal and have little government influence.

5. Commercial interests begin to sense the time for adjusting to "reality" if they are to survive at all under non-capitalist business regimes. While preferring Western procedures, the time for affecting direction is thought to be past if they ever were sufficiently organized or opinionated to be an influencing factor.

6. There are no motivating factors to cause the country to prefer a pro-Western alliance. "Burma" is a name covering numerous dissenting groups who have no comprehension of the effect of Communist control. Their primary concerns are their mutual animosities.

7. Burma represents an extremely important source of vital food to the Chinese Communists. Their very obvious pattern of action is to draw Burma gradually into their orbit - and this is being done easily without the necessity for any overt violence or bloodshed.

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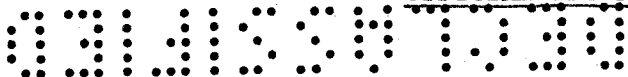
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V. RELATIONS BETWEEN THE UNITED STATES AND BURMA

More important than any other factor in U.S.-Burmese relations is not what policy the U.S. pursues vis-a-vis Burma, but what it does elsewhere, the general impression presented by developments in the UN, at the international conference tables, in Africa, etc.

Most foreigners - and it is gratifying to include the Soviet Union - who have for one reason or another been involved with Burma in an effort to achieve a given objective - whatever that might be - have eventually been driven to despair, overwhelmed by the hopelessness of collaborating with Burmese to achieve any given end. Those who go to Burma to admire the scenery, appreciate the serenity, approve the literature and social customs or study Buddhism find much pleasure and satisfaction. But to build a hotel or a hospital or a highway, undertake agricultural reform, develop improved administrative procedures, establish a National Defense College, make a long term loan for capital improvement, arrange for coordinated strategy in the UN, or develop an industry which can satisfy a market for standardized goods -- these will be disappointed and fall short of their ultimate targets. Such reactions are not limited to foreigners - viz the reform program of General Ne Win.

There are many (and the author is one) who believe that Burma has little chance to escape the Communist net - with the status of Laos dubious, Cambodia, Thailand and Burma are surely on the Communist timetable unless unforeseen events deter them. What program of action could conceivably be followed by those who feel there is still sufficient reason to make



an effort to preserve Burma as a truly neutral state?

First and foremost, the maxim that "we cannot make the world over in our own image" should be a U.S. guideline. The Burmese do not regard International Communism as the primary threat to their existence; they do not understand nor do they have a consuming desire for improved living standards in the Western sense; their xenophobia makes them antagonistic to multinational or binational pacts, and they are psychologically incapable of forming and following long-term plans.

For these reasons the kind of arrangements which have served U.S. interests in most other countries will not work in Burma.

"Paper" including contracts, agreements, memoranda, protocols, etc. means a great deal to the Western world. The same is not true in a country like Burma. Pledging future action and feeling bound subsequently to act on the pledge is an almost inconceivable concept to the Burmese. A British banker in Rangoon pointed out the difficulties of making loans when stocks of rice pledged as collateral against outstanding loans were sold without believing the matter of any concern to the bank at all. No Western hostess can plan a dinner party with any certainty that her Burmese guests who have accepted two weeks ago will come. She will have better luck, but no guarantee of their presence, if she invites them the day before or even the same day.

It would seem, therefore, that in U.S.-Burmese relations every effort should be made to avoid the complex detailed and specific negotiations which, as naturally as air and water, surround the relationships between



nations today. Those which simply exchange beautiful sentiments but bind the parties to no particular action would be acceptable and even desirable since they would afford more frequent opportunities for public celebrations and festivals which these fun loving people enjoy and which leave pleasant though short-lived impressions of the sponsors.

If Burma is to survive as an entity among nations, its people must achieve higher standards of education and more qualified people should study overseas. Burmese educators themselves are concerned over the government's policy of providing education in quantity no matter what the cost in quality. If entrance exams for the university were too difficult and too many students failed to pass, this would be considered undemocratic and contrary to the principles of an independent country. Consequently, no matter how poorly trained at secondary schools, almost any Burmese can be admitted to one of the two universities in the country - at Rangoon or Mandalay.

The over crowding and inadequate facilities which result seriously affect the value of the education to the student. Currently, certain reforms are underway including limiting the time a student may spend in the university and improving testing procedures which should have some beneficial effect. Burma does have an excellent program for financing the overseas education of its citizens but the "pay-back" conditions which

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involve several years "indenture" in government service when training is completed are so stringent that it has an inhibiting effect on applicants.

Although the difficulties would be extreme, in the opinion of the writer it would seem worthwhile to consider the establishment of a new university in an area outside Burma Proper. A similar undertaking is underway in Turkey where Atatuck University is forming in Eastern Anatolia, primarily to open up an isolated area and give people there the feeling that the government is concerned about their welfare. While other problems are paramount, the primitive state of area transportation and communications are no more severe in Burma than they are in Turkey. The product of such an effort would be extremely long-range but benefits would be derived simply from the decision to place the institution in the hinterlands.

There is no question but that U.S. aid should be continued in Burma. It should, however, as without doubt aid administrators in the area advise, be as simple and direct as the rules and regulations for dispensing it will allow. On the basis of a 4-day visit and only brief consideration of the past history of aid in Burma, and considering the latest draft outline, it would seem futile to attempt to work out complicated long-term plans on the style of those with more sophisticated countries or those with closer ties to Western economic systems. A

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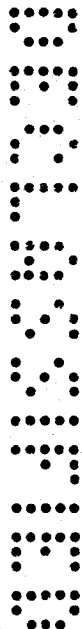
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particular aid project should be thoroughly worked out from beginning to end by the lending institution and a finished plan presented as the condition for loan or grant, with wide publicity as to the advantages derived - This should be the epitome of simplicity and as minimal as the situation requires. There should be little area for compromise or maneuver. Firmness and decisiveness are essential in dealing with the Burmese along with a definite plan for immediate action which should be presented without alternatives.

Two basic elements in the aid program are vitally important. One - it must be countrywide. The government's deliberate concentration of all development efforts in Burma Proper has exacerbated disunity in the country. This is particularly true in the Shan state where this lack of interest is used as a prime recruitment factor for insurrectionists.

This shortsighted development policy is only one indication among several that the U Nu government gives the impression that it neither understands nor knows how to go about attempting to unify the country by other than violent means. 47% of the national budget is spent on internal security measures in an attempt to crush the rebellions by force of arms. There is little doubt that the Chinese are contributing in one way or another to increasing the desire and capacity of the insurgents to fight the government forces but little is done to prevent it. The aid program since it is, perforce, the product of negotiation between governments has

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had to follow the Burmese government's wishes in the matter. The writer recognizes the difficulty of working out a program which would have an impact on the country as a whole. However, the futility for U.S. objectives of undertaking a program which directly contributes to unrest is similarly unacceptable.

The IBRD, the OECD and various newly created lending institutions are in a far better position to set conditions on capital projects and apply them. Burma can better relate its acceptance of aid to its neutral position if it receives it from a disinterested, objective lender. It is recommended that strong consideration be given to handling future aid arrangements through the mechanism of an international lending authority.

Since, as the Prime Minister declared, the Burmese have an almost psychotic fear of close alliances with foreign powers, especially large ones, it seems that a vigorous public information program undertaken by USIS which would emphasize the magnitude of recent Chinese arrangements, would have an effect. Particularly, all past instances of Chinese aggression, acts of terror, economic failures should be widely disseminated as well as the disastrous affect in Burma of trade arrangements, barter deals and the un"gift" like character of the Soviet Hotel and technical center for which the Burmese paid in exported merchandise.

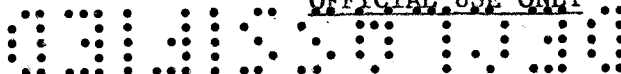
Presumably U.S. elements keep constant surveillance on political leadership but it would be well to keep close tabs on such pro-western officers as U Nyen, Executive Secretary of ECAFE, to evaluate the extent of their leadership and their capacity for growth.

VI. SUMMARY

The present Burmese government, for the short term, appears to enjoy relative stability based on the so far unchallenged personal prestige of Prime Minister U Nu. However, this stability is precarious because basic needs such as a peaceful solution to the problem of insurgency and effective gradual progressive country wide economic and social development are not being met. There have been recent pronounced moves for closer association with the Chinese Communists and Communist bloc influence is definitely increasing.

The government is weak and ineffectual in administration. There are more and more indications of a worsening of the internal situation and a regression from the national unity did exist. There has been a definite deterioration in Burma's relations with the Free World and with the U.S. which can be expected to become even worse, at least in the short term, as the Laos situation and other Southeast Asian developments appear to enhance the Communist status.

The answers to most of the questions asked at the beginning of this study, in the opinion of the author, are negative. Speaking in general terms, the components of Burmese society, the peasants, the educators, the students, businessmen and even the military appear not to have come to any conclusions about their desires for the future either in economic or political terms. At least, they do not articulate them, nor do these groups seem to be developing leadership strength. The impression received is that the Prime Minister is not to any considerable extent, influenced by them.



In the face of this pessimistic evaluation, the area of effective U.S. political suasion is limited. There is no question of moving the Government nor any succeeding government toward open Western alliance. U.S. interests would be most served by the establishment and maintenance of a bona fide position of non-alignment or non-commitment in Burma and a neutralizing of recent accommodations with the Chinese. In view of the unlikelihood of the latter, the U.S. must resort to more indirect approaches perhaps along the following lines:

1. Encourage, through every means including the UN and private foundations, the improvement of educational opportunities for the Burmese with special emphasis on increased contact with Western-oriented institutions and give consideration to the establishment of a third university in some area other than Burma Proper;

2. Future aid should be channelled as much as possible through multi-national lending institutions, capable of applying strict conditions, and with emphasis on less complicated projects more tailored to indigenous resources and requirements. Most importantly, some aid should get to areas outside of Burma Proper.

3. A substantial information program should be launched which presents explicit and reiterated accounts of the extent of Chinese infiltration into Burma, as well as specific accounts of past Soviet Bloc undertakings which have not reacted to the benefit of Burma.

4. Constant surveillance of leading Burmese citizens to determine where future strength may lie.

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5. Support third country (e.g. Israel, India) programs in Burma where for one reason or another their help is more readily accepted by the Burmese.

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FOOTNOTES

- 1 Economic Summary, April 1960, U.S.O.M., Rangoon.
- 2 Economic Summary, April 1960, U.S.O.M., Rangoon.

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BIOGRAPHY OF WRITER

The author was born in Milwaukee, Wisconsin; received her A.B. and M.I.A. from Columbia University; served in the Army overseas from 1942-1946, in Africa, Italy and Germany; joined the staff of E.C.A. in 1948, and has served with it and its successor agencies in Paris, Copenhagen and Washington; her most recent assignment was as Turkey Desk Officer in I.C.A.

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Mr. William Glysteen (Political Officer)

Hong Kong: Maurice Rothenberg (Economic Officer)

James Gustin, Economic Officer

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(British)

Mr. Michael Blackmore (British)

Dr. Thaing Blackmore (Burmese)

Mr. Mack) (Officers, Hong Kong and Shanghai Banking Corporation)
Mr. Nelson) British

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Mr. Becker

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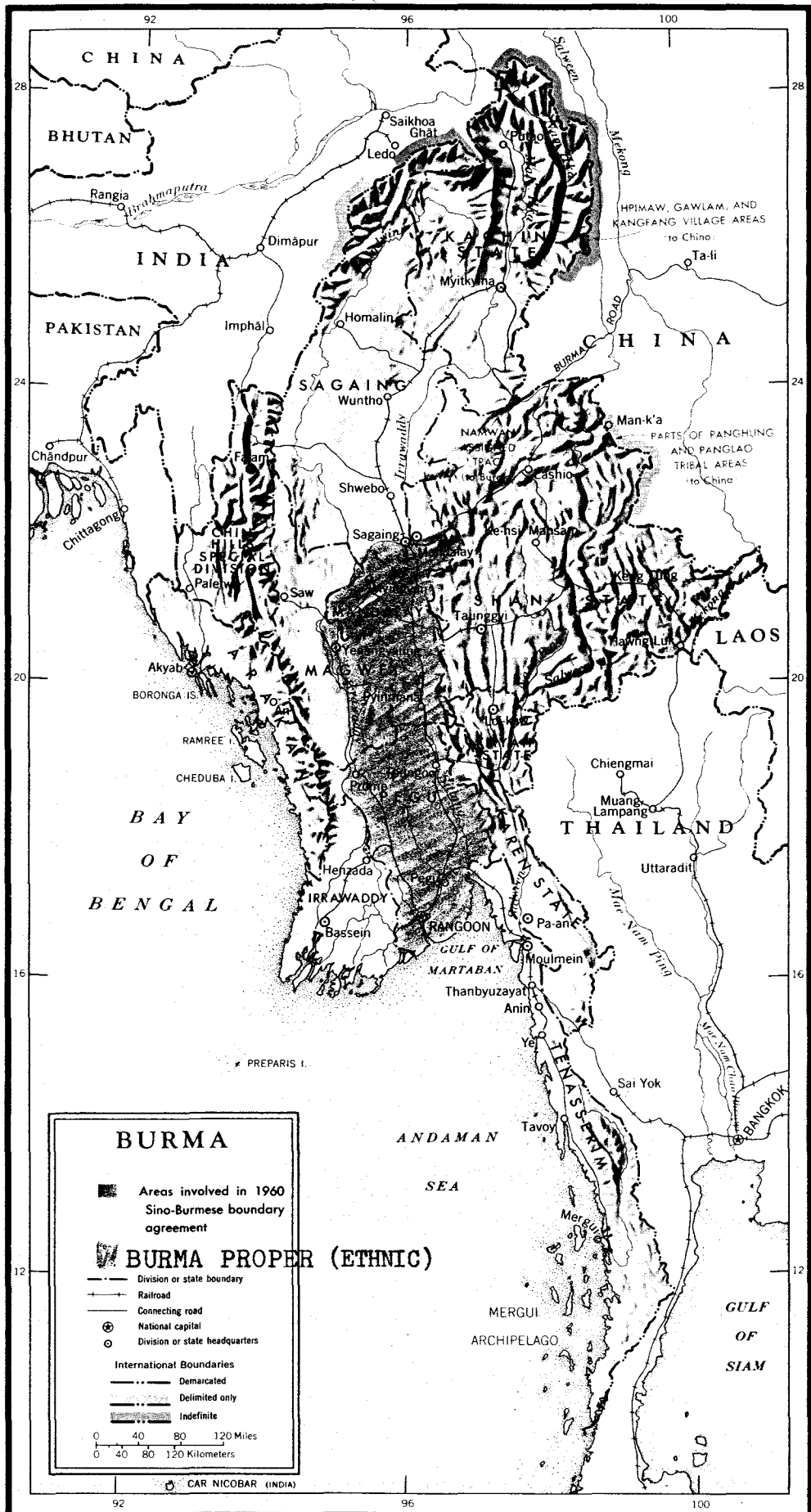
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Dr. Gopaul, Chief, Historic Section, Minister of External Affairs
& Son of Vice President

Miss Muthamma, Deputy Chief, Southeast Asian Region Ministry of
External Affairs

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MEDICAL SERVICES. There was one physician per 8,400 inhabitants (1952). (U.S. - one physician per 770 persons.)

LIFE EXPECTANCY AT BIRTH. . .34 years (1950-56)

EDUCATION Approximately 59% of population are literate (1953). The government's effort to improve education facilities was rewarded by a 35% increase in school enrollment between the 1953/54 and 1954/55 school years. There was one teacher for every 445 people (1954/55). U.S. - 1 teacher per 120 people). The 1,430,000 students comprise about 7% of the total population (U.S. - 20%).

MAJOR NATURAL RESOURCES

Burma's rich ricelands constitute its most valuable natural resource. Because it is heavily forested, timber, particularly teak, is of considerable importance. Its mineral resources, of which petroleum, tungsten, tin, lead, zinc, and silver are of most value, have not been fully developed. Burma's extensive tin reserves are believed to constitute about 6 percent of the free world total.

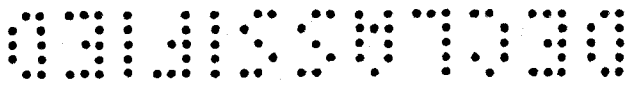
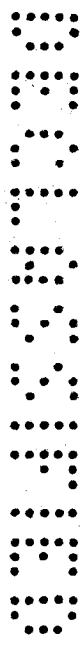
ECONOMIC

GNP PER CAPITA. \$53 in 1959 (1955 prices), among the lowest in the Far East and about 30% below pre-war.

MAIN OCCUPATIONS. Approximately 70% agriculture; mainly rice cultivation.

MAIN CROPS. Rice is by far the most important crop. Peanuts, cotton, sesame, timber and rubber are also important.

MAIN INDUSTRIES Rice milling, lub^Mbering, mining, petroleum and t^Ex^Tiles. Additional industries have been established under the development program (e.g., a steel rolling mill, a jute mill, Sugar Mill.)



POWER OUTPUT PER CAPITA . . . 30 KWH per year (U.S. - 3,800 KWH;
Japan 720 KWH. Total power output
204 million KWH (1958-59).

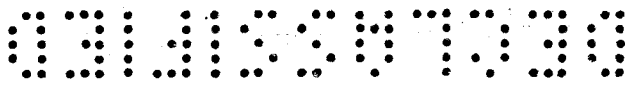
MAIN EXPORTS. Rice accounts for 75% of total
exports. Other exports are lumber,
cotton, metallic ores, beans and
rubber.

RAILROADS 2,500 miles.

ROADS Surfaced roads 7,000 miles;
unsurfaced 6,000 miles.

REGISTERED MOTOR VEHICLES. .25,000 (1955).

WATERWAYS The Irrawaddy River is navigable
for 900 miles and the Chindwin
River for over 400. The Irrawaddy
contains an extensive network of
canals.



Appendix 3.

INDIA RICE IMPORTS

1959-1960

(000 metric tons)

	<u>Burma</u>	<u>U.S.</u>
Total calendar 1959	295	
Total 1960	336	256.9
January	42.7	
February	6.	
March	100.7	9.3
April	74.	21.6
May	40.9	35.3
June	62.6	22.0
July		54.7
August		30.1
September		23.3
October	9.1	6.5
November		25.6
December		28.6
<u>1961</u>		
January	3.34	
February		
March (est.)		
April (est.)		
Total 4 months	3.34	155.35

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Appendix 4.

BUDGET OF THE GOVERNMENT OF BURMA

	(100,000 kyats)	
	1957-58	1958-59 (budget)
Revenue		
Current	9,485	9,975
Customs	2,620	2,825
Income tax	2,400	2,550
Excise duties	1,041	1,034
Land revenue	251	264
Posts and telegraphs	208	225
Interest on loans	185	195
SRMB contribution	600	600
Other and miscellaneous	2,190	2,282
Capital	3,262	3,466
Contributions from state boards	---	400
Foreign aid	1,512	1,200
Dividends from joint ventures	79	70
Other	205	152
Increase in debt	1,468	1,644
Total	12,757	13,441
Expenditures		
Current	9,136	9,446
Defense	3,155	3,250
Police and jails	1,116	1,186
Education	1,199	1,150
Contributions to state government	413	367
Revenue collection	293	295
Posts and telegraphs	187	183
Interest and debt repayments	195	227
Marine	136	140
Medical and health	366	367
Irrigation	122	124
Agriculture and veterinary	210	336
Civil works	283	269
Pensions	333	331
Other	1,128	1,221

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	(100,000 kyats)	
	1957-58	1958-59 (budget)
Capital	3,691	4,058
Defense	895	850
Police	31	300
Education	29	63
Industrial development	100	27
Contributions to state governments	160	50
Revenue collection	37	43
Posts and telegraphs	56	53
Marine	86	22
Medical and health	25	42
Irrigation	39	64
Agriculture and veterinary	75	32
Civil Works	181	250
Loans and advances	1,872	1,986
Other	105	282
Total	12,827	13,504

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Appendix 5.

BURMA

Selected Annual Statistics

<u>Production</u>	1938	1952	1955	1956	1957	1958	1959
Agricultural Production (1935/39=100)	100	88	88	96	91	84	96
Per Capita	100	73	70	76	73	67	75
Rice, Rough (1000 L.T.)	7,400	5,250	5,712	5,766	6,362	5,490	6,592
Peanut in shell (1000 Mill. Ton)	174	180	210	187	198	245	324
Cotton (1000 M.T.)	21	24	18	22	16	12	14
Paddy yields per acre (1936/40=100)	100	97	97	97	107	93	108
<u>Foreign Trade</u>	<u>1937-41</u>						
Export f.o.b. (Million U.S. \$)	108	230	226	249	227	192	165 (up to Sept.)
Imports c.i.f. (Million U.S. \$)	54	172	181	198	297	205	154 (-do-)
Trade Balance (Million U.S. \$)	↓ 54	↓ 38	↓ 45	↓ 51	- 70	- 13	↓ 11 (-do-)
Index of Volume of Exports 1952 = 100	258	98	126	142	132	102	n.a.
<u>Key Exports:</u>	<u>1938-39</u>						
Rice & Rice prod. 1000 Mill. Ton	3,357	1,171	1,657	1,961	2,038	1,487	n.a.
Rice & Rice prod. (Mill. U.S. \$)	47	170	177	184	188	139	n.a.
<u>Financial Data</u>							
GNP, 1955 prices Mill. U.S. \$	1,160	855	1,010	1,030	1,040 (E)	1,031 (E)	1,042 (E)
GNP per Capita, 1955 prices \$	74	45	52	52	53 (E)	51 (E)	53 (E)
Whole Sale Price: Rice 1952=100	n.a.	101	103	101	107	105	107

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<u>Production</u>	1938	1952	1955	1956	1957	1958	1959
	<u>1941</u>						
Cost of Living Rangoon 1958=100	29.6	94.8	91.88	97.9	103.9	100.	88.9
Export Price Rice \$ per 100 lb.		7.19	4.37	4.00	3.70	3.60	3.390
Money Supply Mill. Kyats	n.a.	1,173.	1,377.	1,608.	1,405.	1,707.	1,986.
Net Fixed Capital Formation (at current prices. Mill. Kyats)66.		365.	626.	662.	716.	802.	738. (E)
Gold & Foreign Exchange Holdings: Total Mill. U.S. \$	n.a.	209.	118.	145.	106.	137.	137.
	<u>1938</u>						
Exchange rate Kyat per \$	2.89	4.77	4.762	4.762	4.762	4.762	4.762
<u>a</u> /Balance of Payments (Million Kyats)	n.a.	+ 202.	- 243.	+ 230.	- 186.	+ 122.	+ 103..

Note: E = Estimate

a/ This excludes foreign loan receipts and debt repayments.

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Appendix 6.

PROGRAMMED EXTERNAL ASSISTANCE

As Of April, 1960

Japan Reparations		\$200.	million
Colombo Plan Technical & Capital Assistance		3.	million
Ford Foundation			
Asia Technical Aid Assistance		9.	million
UN & Specialized Technical Agencies Assistance		1.75	million
India	Loan	42.	million
IBRD	Loan	19.35	million
Soviet Union	Hotel Technological Institute Hospital		
		<u>Untotaled</u>	
		\$275.10	million

U.S. AID

GRANTS:

Tech. Asst. and ECO aid 1950-53	\$ 19.6	million
Highway-University grant	31.	million

LOANS:

Econ. Dev. Loans 1957	25.	million
Police Equipment	10.	million

AGRICULTURAL COMMODITY SALES:

P.L. 480 1956	22.7	million
P.L. 480 1958	18.	million

OTHER:

Rice for technicians	1.1	million
U.S. financed Indian Textiles	<u>5.</u>	<u>million</u>

\$132.4 million

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Appendix 7.

FACT SHEET ON THE SOVIET GIFT PROJECTS IN BURMA

Genesis: Soviet gift projects were first offered to Burma by Khrushchev during the 1955 Khrushchev-Bulganin visit to Burma. The Soviet Union undertook to supply design, supervision, and foreign exchange costs. Prime Minister U Nu accepted, stipulating that Burma would make a "return gift" of equal value in rice.

The Agreements: There are a whole series of agreements concerning these projects. The basic one was signed on January 17, 1957. It provides for the building and supplying by the Soviets of:

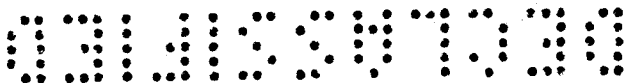
1. A Technological Institute, including an equipped laboratory, for 1,000 students and 100 post-graduates with hostels for 800 students and apartments for 86 faculty members.

2. A hospital in Taunggyi with 200 beds and an out-patient department for 100 patients. There will be a main building with 100 beds and facilities for handling 50 Therapeutic and 50 surgical patients. There will be a subsidiary 50-bed hospital with equipment for tuberculosis patients, another subsidiary 50-bed hospital equipped for dangerous contagious diseases, hostels for some forty nurses, dwellings for seven resident physicians, and all necessary supporting facilities.

3. A Bolshoi-type theatre with seating capacity of 1,800.

4. An Olympic-type stadium with seating capacity of 50,000. Also an open-air swimming pool with stands for 10,000 people.

5. An Agricultural Exhibition complex including an open-air theatre with seating capacity of 4,000 and an exhibition hall.



6. An Industrial Exhibition Building, including an exhibition hall convertible into an indoor tennis court with seating capacity of 5,000 and a conference hall with seating capacity of 1,000.

7. A hotel of 216 apartments including 25 deluxe suites.

Cost: The total cost of the Gift Projects was estimated at \$45,000,000. The Soviet contribution was estimated at about \$29,000,000, or 65% of total costs. A subsequent agreement provided that Burma would repay the Soviet contribution in equal rice shipments over a twenty-year period beginning five years after the completion of the projects.

Chronology of the Projects: The projects got off to a quick start after final agreement was reached in late 1957. The time table called first for the construction of the hotel, the technological institute and the hospital. All three of these projects are now near completion and are expected to be finished in late 1960. (The total estimated costs for these three projects is about \$18,000,000. The estimated Soviet contribution is about \$11,500,000).

The other four projects were cancelled in 1959.

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