Chapter Two

Examining the Myanmar State

Introduction

The Myanmar state and society of today makes little sense without a consideration of its historical context. The postcolonial state was born on 4 January 1948, when the Union of Burma gained independence from British colonial rule. The experience of colonial rule caused major rifts in the culture and traditions of the pre-colonial state, and transplanted the institutions of a modern state into society. Independence politics was built on a platform of resistance to colonialism and its perceived values, leaving the legacy of colonialism firmly established in the national psyche, and strongly affecting the conflicts, ideologies and themes that have shaped the nation-state since. Within this context, institutional weakness became ingrained in the state, and was reinforced by each successive regime. Ideologically driven development plans failed repeatedly, resulting in deeply-rooted underdevelopment and economic stagnation.

The regimes that moulded the state from independence in 1948 until the demise of ‘the Burmese Way to Socialism’ in 1988 differed in the emphasis that successive political leaderships gave to key political values and the extremes to which they were prepared to pursue these values, but were linked by the conviction that the Burmese state must be based on an nation-building ideology that combined Buddhism, socialism, and insulation from global geo-politics. However, this post-colonial ideology failed to resolve conflicting visions of national identity and legitimate the state and regime, particularly after the advent of military rule in 1962.
The change of government in 1988 represented a conscious ideological break with the values that had shaped the state since independence, and had failed to establish the right to rule for the military. The events of 1988 left as great an impact on state and society as the end of colonialism had forty years before, and produced policies and state-society dynamics which have resulted in important changes in the structures and processes within the state.

The purpose of this chapter is to examine the Myanmar state by looking at the historical evolution of state institutions and ideology which shapes the current state system, and contrasting the defining features of the governments that ruled the country from 1948 to 1988 with the rule of SLORC/SPDC. The historical analysis reveals trends in nation-building strategies, as shaped by the prevailing ideology of the time, and the subsequent development strategies adopted. By examining these trends, the sources of weakness in the state can be identified.

Following an analysis of the historical trends in Myanmar until 1988, the chapter examines the major policy changes in economic structure and foreign policy implemented by SLORC/SPDC in reaction to its predecessors’ failure to build their vision of the Myanmar nation through socialism. Although the major historical trends still apply to the contemporary period, they are being played out in a changing context. Thus, the impact and implications of SLORC/SPDC’s policy changes are explored through: a look at the structure of the economy under transition, and the state’s progress in economic transition; the regime’s harnessing of the black economy for the benefit of itself and its supporters; and the emergence of new political organisations and social groups as stakeholders in the status quo.

State and Polity until 1988: ideologies of freedom and domination

The structure of the modern state was established under colonial rule for the most part, but key features of the political culture that shape it evolved during the rule of the kings. The common image of the Burmese monarchy is
one of arbitrary rule and continual warfare.\textsuperscript{1} Royal succession was usually violent, and the empires were expansionist. However, institutionally, the state was stable, with the absolutism of the king restricted by the influence of his ministers and advisors (Taylor 1987: 29).\textsuperscript{2} Robert H. Taylor states that ‘[t]he precolonial state rested upon a society which had a fundamental stability grounded in agriculture and religion which it was little able, or willing, to alter’ \textit{(ibid.:} 15). The kingdoms were governed by a system of royal patronage, where officials were allocated districts from which they would receive revenue. The kings held the greatest concentration of power in their capital, which the pre-colonial society believed to be built at the cosmological centre of the universe. Beyond the centre, the power of the state gradually diffused and was marked by fluid boundaries. In the tributary states on the periphery, state power was almost non-existent, and could only be enforced by coercive means (Aung-Thwin 1985: 98). The authority of the state was limited at the local level as well, because ‘a great deal of people’s time and ingenuity was devoted to avoiding the bureaucratic strictures and requirements of the state’ (Taylor 1987: 20).

The village was the primary social and economic (rather than administrative) unit, bound together by custom and personal authority. Administration was performed in units consisting of several villages. Some villages did not even have a headman as local authority was not only based on territory, but overlapped with a system of regimental organisation (Furnivall 1956: 14). Because the pre-colonial administrative structure did not extend as far as the village, village leaders tended to be ‘natural leaders’, with power derived from the community, and operated with a degree of autonomy (Kyaw Yin 1963: 70-77).

At that time, contact with the agencies of the state invariably involved the imposition of some kind of burden, such as military conscription and

\textsuperscript{1} For example, Silverstein (1997b: 168) argues that pre-colonial rule was ‘marked by weak kings, rivalry and intrigue at the palace’, which led to frequent administrative upheavals. See also Mya Maung (1998: 21).

\textsuperscript{2} The executive cabinet, the \textit{Hluttaw}, was a moderating influence on the king, operating by majority vote and collective responsibility. It also acted as the Supreme Court, to check the power of provincial governments (Kyaw Yin 1963).
taxation to fund the frequent wars. The more significant institution within a community was the monastery. Religious authority was closely linked to state authority, since the king was deemed to be the direct link to the gods, but religion had a greater social impact in the villages with community life organised around the activities of the monastery.

Debates about the nature of the pre-colonial state, and how much its key features survived colonialism, form the basis of how the nature of the modern state is understood. The core issue is whether politics in Burma/Myanmar is predominantly cyclical or linear. Michael Aung-Thwin (1985: 26-27) argues that there was continuity of ideology and institutions between successive royal dynasties – and, he would have us believe, the present regime – that can be traced back to the Pagan dynasty (849-1287). In his view, conflicts within each system were due to the finite nature of resources within the agrarian society, which caused conflict between the state and the sangha (Buddhist priesthood) as they struggled for economic resources and political influence. Due to the moral influence of Buddhism, which was closely related to the legitimacy of the king, the state was a major patron of the church, and during each dynasty there would be a gradual transfer of resources into the control of the monasteries. However, the state would periodically instigate a reorganisation of the church which served to recover resources of land and other wealth, and, consequently, social authority. Ultimately, this process would weaken the state to the extent that the dynasty would succumb to external invasions and internal rebellions. In essence, the forces that initially built the dynasty then destroyed it (ibid.: 28-29, 204-207). Thus, while the legitimacy of the two institutions was inextricable, the power struggle between them was key to the strength (or otherwise) of the state.

Victor Lieberman’s (1984: 10-14) analysis (focusing on the eighteenth and nineteenth century dynasties) also features the cyclical process of resource concentration and dispersion. However, he maintains that the nature and

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3 Aung-Thwin (1985: 200) states that ‘at Pagan were laid the institutional foundations of the modern Burmese state and society…the classical system itself – though perhaps not the state –
duration of cyclic trend was altered by changes in the institutional and economic bases of the state from the late seventeenth century (ibid.: 278). The options of rulers were redefined by a combination of agricultural growth in the delta, economic expansion and commercialisation of the state stimulated by international trade, and administrative centralisation and cultural change (Lieberman 1991: 2). The political leaders were able to strengthen the state, as the expansion of trade led to more direct control over the remote areas of the state, and monetisation of the economy enabled the authorities to mobilise resources more easily. Church-state relations were fundamentally altered by the replacement of the transfer of finite resources to the church with cash donations from a growing state budget (ibid.: 22-28).

Thant Myint-U (2001: 83) reinforces Lieberman’s theory by arguing that the origins of the modern state lie in the changes in the state during the last royal dynasty (1752-1885). The impact of colonialism on Burma began long before the country was officially taken over. As the British began encroaching on Burmese territory, attempting to establish an informal empire to further their commercial and political interests, the kingdom attempted to modernise and adapt to the changing international environment in order to counter British influence. This resulted in rapid political and social change. As opportunities for territorial expansion were curtailed, the identity of the king as a universal sovereign was replaced with the notion of the king and his kingdom as ‘Burmese’. Political reforms under King Mindon (who ruled from 1853 to 1878) placed ‘existing institutions within the framework of a new type of political authority...and...set the stage for the colonial state and society to follow’ (ibid.: 115). Essentially, this was an attempt to rationalise the state, through the centralisation of administration, bureaucratisation of royal agencies, and the

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4 Consequently, ‘by the late nineteenth century, a common language, a common religion, a common set of legal and political ideas and institutions, and even a shared written history existed throughout the core area of the Ava kingdom’ (Thant Myint-U 2001: 88).

5 Some of the changes initiated by King Mindon were military modernisation, attempts to establish an industrial base, and development of basic infrastructure, such as a telegraph between Mandalay and Rangoon (Thant Myint-U 2001: 112-114).
implementation of a new system of direct taxation (ibid.: 115). However, these changes, combined with external pressure, left the state in political and fiscal crisis by the time of the final annexation, with the authority of the state greatly diminished among its subjects. Thant Myint-U maintains that this disarray, combined with the King and his minister’s refusal to collaborate with the British, was the reason for the British taking the unusual move of instituting direct rule (ibid.: 198).  

Beliefs about the nature of the pre-colonial state lie at the heart of the debate on whether Burmese political culture is inherently authoritarian. The military government claims its legitimacy in part as successors of the kings, which justifies ruling the country in a strong, paternalistic manner (Matthews 1998: 11). Certainly, centralisation of state power, personalisation of authority, and the legitimation of the ruler through Buddhism are characteristics of the pre-colonial era (Khin Maung Kyi 1966: 44-48) that remain a strong influence on the contemporary state. However, while many aspects of the modern state are rooted in centuries of political development, the impact of colonialism, mass nationalism and other modernising forces have had just as much influence on the contemporary state and culture (Taylor 1987: 10).

The Colonial State

Colonial rule brought drastic changes to state and social cohesion. The colonisation of Burma occurred in three stages. After the First Anglo-Burmese War, the Arakan and Tenasserim regions were ceded to British control in 1826. After the second war in 1852, the British took over the whole of lower Burma, making Rangoon the capital. Finally, the Third Anglo-Burmese War resulted in the complete British annexation of Burma in 1886. The monarchy was deposed, and the country ruled as a province of British-ruled India (until separation in 1935). It took the British until 1891 to fully pacify the population (Thant Myint-U 2001: 246).

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6 The modernisation reforms begun by King Mindon were continued by the British, in a much more radical fashion. Thant Myint-U describes the process as such: ‘Like a house which had been partly demolished for renovation, but never properly rebuilt for lack of funds, King Mindon’s reforms had left the British, as the new owners, with little option but to design the renovations themselves with the materials at hand’ (Thant Myint-U 2001: 246).
U 2001: 199). This violent pacification, which consisted of forced relocations and summary executions, destroyed the old social order, and ‘[t]he colonial state was born as a military occupation.’ (ibid.: 7).

The colonial rulers undertook a ‘rationalisation of the state’ that redefined state-society relations. By deposing the king, the British took away the centre of spiritual life, cut the sangha adrift from state patronage, and undermined the institutions that had upheld the legitimacy of the pre-colonial state. The reforms of the first colonial chief commissioner, Sir Charles Crosthwaite, replaced the resolution of conflict through customary law with the inflexible application of a British legal code, and undermined the moral influence of the sangha (Taylor 1987). The reforms also turned the village into an administrative unit, making the headman a functionary of the state. This was partly to rationalize administration, but also a response to the need for pacification (Kyaw Yin 1963: 148). The result of the change was to break down the units of administration to the village level, and ‘imposed on both headmen and villagers duties under penal sanction without conferring on them any rights’ (Furnivall 1956: 74).

Furnivall (1957: xii) argues,

The annexation cut away the roots of Burmese civilisation in all its aspects, political, religious, cultural and economic. Then the administrative machine broke up the country into an unorganised collection of isolated villages and completed the destruction of social life in all its aspects on any scale higher than the village. Finally, the mere maintenance of law and order set free economic forces which dissolved the village into individuals.

The Burmese gained a modernised state structure, a ‘steel frame’ of administration, but one that was designed for the convenience of the colonial occupiers to pursue trade interests (Guyot 1966c: 334-335). As rulers, their

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7 Taylor (1987: 54) argues that the state in the precolonial period had ‘clear and unchallenged claims to legitimacy’. A social contract existed, where the king was believed to be morally superior and semi-divine, and was given power over the kingdom in return for upholding order and dhamma (the Buddhist law). An ineffective king was perceived as having insufficient karma to hold up his side of the bargain, and could be legitimately overthrown by a stronger opponent (ibid.: 54-59).

8 For a detailed examination of why the colonial government decided it could not work through existing political structures, see Thant Myint-U (2001: 194-218).

9 The key level of administration in the colonial state was the district. The district officer was a member of the Indian Civil Service, and was a generalist administrator responsible for
priorities were based on maintaining law and order and extracting resources (Taylor 1987: 70). The administrative priorities were ingrained in the belief that a laissez faire state would ensure economic progress, which in turn was enough to guarantee material and moral welfare (Furnivall 1956: 54).

In terms of the role of the state, as Steinberg (1982: 29) writes, ‘[t]he British spent more on police than on education and more on prisons than on health and agriculture’. But while the colonial state built the necessary infrastructure to extract resources, the British were unsuccessful in the most basic role of maintaining law and order. As social control broke down after the annexation, dacoity became rife, and Burma gained one of the highest crime rates in the world (Callahan 1996: 85). Furnivall (1957: m-n) believes that the growth in crime was due to the loss of local autonomy and regulation of social organisation by custom, which was disastrous to social cohesion.

British inability to maintain basic control meant the colonial state organised the state around coercion, frequently enlarging the police force, and reinforcing them with ‘punitive police’\(^{10}\) (Callahan 1996: 96). Callahan argues that society militarised from the nineteenth century, as ‘the colonial state relied extensively on armed forces and police to control nearly all forms of criminal and political behaviour’ (ibid.: 99). This maintained the popular notion of state authorities as adversaries and laid the foundations for military dominance after independence by ‘institutionalizing the primacy of armed coercion in state-society relations’ (Callahan 1996: 128).

The emphasis on social control ultimately reflects the lack of legitimacy of the colonial state, despite reforms in the 1920s and 1930s to introduce self-government. Taylor (1987: 115) argues that ‘[t]he great weakness of the colonial

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\(^{10}\) The punitive police were military police, who tended to punish entire villages for crimes (Taylor 1987: 101).
state was its inability to sustain support, either active or passive, from the indigenous population’.  

Over time the functions of the colonial state gradually expanded in reaction to changing views of state responsibility. However, the ability of the state to deliver welfare and economic development, as well as expand political representation, was hindered by the basic structure of the administrative system (Guyot 1966c: 355). Having evolved for the purpose of social control and economic imperialism, the administrative system could not easily adapt to state functions that required understanding and adjustment to the local society, rather than coercion (ibid.: 360-363).

These established practices of colonial administration were not designed to cultivate indigenous identification with the state. Instead, to further the mercantilist aims of the colonial elite, a ‘plural society’ was developed, where the British, and Indians who had been brought over as bureaucrats, dominated the institutions of the state.11 Social cohesion between the different communities was low, as they lived as insular units (Furnivall 1956: 303-312).12 The connotation of a plural society, as Taylor points out, was that policy was made and administered by people who were ‘unconstrained by the logic and values of the societies they governed’ (Taylor 1995: 52). The Burmese population was mostly excluded from social and economic power, instead being pushed into debt and landlessness by Chettyar Indian moneylenders. The exception was an emerging middle class, which became increasingly represented in public administration, politics and commerce from the 1920s, and became tied to the colonial state (Taylor 1987: 134).

Some Burmese were drawn into the state elite and colonial civil service after dyarchy was instituted in 1923. They tended to embrace a ‘modern’

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11 In 1931, non-Burmese-born Indians comprised 43.4 per cent of the public security forces, 36.3 per cent of the mining sector and 26.6 per cent of public administration. Ethnic Chinese dominated trade, industry and transportation. Burmans were concentrated in agriculture and extractive sectors of the economy (Lissak 1970: 62).

12 Taylor (1995: 52) points out that Furnivall’s concept of a plural society differs from the contemporary definition of pluralism in a political system. Rather, ‘we are talking first about economics, not describing an electoral system or ideologically celebrating human diversity, reality being something different’.
Western lifestyle, and became alienated from the rest of the society. The result was a distinct social class of bureaucrats whose values and loyalties were allied with the British colonial administration. This presented a significant disjunction between political culture and political institutions, described as a conflict between tradition and modernity, which was made into a major issue by the radical nationalist groups (Maung Maung Gyi 1983: 11-13). The nationalists saw the Burmese bureaucrats as colonial collaborators (Khin Maung Kyi 1966: 67), and the government failed to gain legitimacy.

In response to these processes of alienation, the nationalist movement developed out of Buddhist organisations in the early twentieth-century and gradually became dominated by young student leaders who gave themselves the colonial title of Thakin, meaning master (Maung Maung 1980: 230-234).

Another social pattern set by the colonial state was the ethnic division of the territory. The central plain, dominated by the Burman ethnic majority, was governed directly. The surrounding areas where most of the ethnic minority groups lived were formerly the tributary areas of the Burmese kingdoms. Under colonialism, these were designated as the Frontier Areas. The colonial administrators judged that unlike central Burma, the structures of authority in the mountainous areas were sufficient to maintain order. Consequently, the Frontier Areas retained a degree of autonomy and traditional ruling structures (Smith 1998: 41-42). This administrative arrangement was designed to save the British Empire money, and indirect rule had the consequence of keeping the political and economic development of the mountainous areas behind the rest of the country (Smith 1998: 46-48).

The administrative differentiation of the two areas was so divisive that Renard (1987: 258) suggests the British introduced the notion of ethnic identity into Burma. He argues that the notion of identity in the pre-colonial era was fluid, due to frequent large-scale movements and assimilations of peoples after wars. Minority status was not based on race, but on lack of access to power.

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13 The historical relationship between the executive branch and the bureaucracy has often been represented as an uneasy co-existence of two distinct elites with very different value systems.
The British introduced romanticised ideas of ‘nation’, and in doing so determined that the peoples in the plains and the peoples in the hill areas should be treated differently.\textsuperscript{14}

\textit{The Independent State: struggling with the legacy of colonialism}

Although it is apparent that certain features of the pre-colonial state and social organisations exist in the contemporary era, it is also true that the traumatic advent of colonial rule and the way the state was shaped by the British rulers are important to understanding why the independent state developed into a system of military rule and repression. The Union of Burma came into being as an independent state on 4 January 1948 with an inherited colonial state system, which included extensive administrative, infrastructure and institutional structures.\textsuperscript{15} The political elite was faced with the task of rebuilding a devastated economy, consolidating control over groups that disputed the legitimacy of the state, and creating a political identity to unify a divided population. The way in which they undertook those tasks was strongly influenced by the colonial legacy.\textsuperscript{16}

Mahmood Mamdani’s (1996: 24) work on African states demonstrates that the enduring structure of power and resistance against the state was shaped by the colonial experience. Specifically, ‘every movement of resistance was shaped by the very structure of power against which it rebelled’. One

\textsuperscript{14} Also see Brown (1994: 41-44).
\textsuperscript{15} For example, the \textit{Government of Burma Act} (1935) established a Westminster style of parliamentary government (Taylor 1987: 123). However, Furnivall (1960: 31) argues the constitution contained conflicting principles, that of individual freedom, inherited from British law, and that of social obligation. The result was ‘a liberal Constitution with socialist aspirations’. The emphasis on liberalism, as opposed to the socialism of the political leadership, was due to the fact that most lawyers involved in drafting the constitution had been educated in Britain (\textit{ibid.}: 79-80).
\textsuperscript{16} However, not all political groups in Burma were pleased to see the end of British rule. Ethnic groups such as the Karen were very distrustful of Burman political leaders, and looked to the British to protect their interests, in return fighting on the colonial side during World War Two. Relations between the two groups were marred by allegations of war atrocities, such as an unprovoked attack against the Karen in 1942 when the British retreated from Burma (Silverstein 1997b: 183). See also Gravers (1993: 44-48).
result was that post-independence governments gained an institutional legacy of ‘inherited impediments to democracy’ (ibid.: 25).\footnote{However, one element of the colonial state the nationalists did retain was the institutions of democracy.}

Colonial rule ingrained in the nationalists a strong sense of injustice against the pluralist society that concentrated political and economic power in the hands of a few (mostly foreigners). While students, the Thakins embraced the writings of Marx and other socialist writers in left-wing book clubs (Taylor 1983a: 97). As Sarkisyanz (1965: 175) writes, ‘the Thakins’ political thought was strongly syncretistic; it was characterized by various degrees of nationalistic, socialistic and Buddhist syncretism and influenced by Western revolutionary models – but also by Burmese traditions’. Most of the main political actors after independence originated from this group. These sentiments were cemented in the independence struggle, which Steinberg (1981c: 30) notes was ‘more political than military’, and led to the close ideological identification of the post-independence military and civilian political elites.\footnote{Louis J. Walinski (1969: 341) quotes Brigadier Aung Gyi, who said the military elite were ‘not soldiers who became Socialists…[but] Socialists who became soldiers’.} Socialism formed the model for state modernisation and nation-building. Successive governments made the same mistake of basing economic development on rapid industrialisation, instead of a strong base of agriculture, and promoting social development without resources to back it up.\footnote{Taylor (1995: 61) argues that the post-independence elites attempted to use nationalism to shape the economic forces inherited from the colonial state, but did not take into account the other political factors pertinent to state consolidation.} Moreover, the colonial mentality created an uncompromising strain of nationalism, adverse to ethnic pluralism, that has shaped ethnic relations ever since (Gravers 1993: 43-71).

J.S. Furnivall, a former British Indian Civil Service (ICS) officer who was influential in introducing Fabian socialist ideas to the Thakins in the 1930s, and was an advisor to U Nu’s government, recognised in hindsight that the concept of socialism was misunderstood by the political leaders after independence, and, indeed, was inappropriate for Burmese society. As Furnivall expresses it, the Thakins failed to distinguish between the ills of a capitalist society, as they
knew it under colonial rule, and a capitalist economy. The only alternative was seen to be socialism, but

before socialist principles as understood in western lands could be applied to the fulfilment of national aspirations, the re-integration of society on a national basis had to be accomplished. Normally, the social order is the parent of the State; in Burma this natural sequence was reversed, and the administrative machinery, designed under British rule for a very different purpose, or so much of it as still survived, had to be used as the implement for building up a new national society which could in due course fashion such new political machinery as its need required. Socialism in Burma did not, as in Europe, imply the transformation of the State but the creation of a new society (Furnivall 1957: an-ao).

The experience of World War Two represented a dramatic opportunity for Burmans to forge a new identity. As such, political leaders shaped the new state as a direct antithesis of what they considered to be the ills of colonial rule. Yet they ended up ingraining core features of what they were opposing into the new nation as it was built on the foundations of the colonial state. More fundamental to the state than elite ideology was the reliance of the state on coercion, ethnic division, and the lack of identification with the state by the peasantry. As Charles F. Keyes (1981: 80) says, ‘postcolonial Burma has been a society in search of a civil ideology, a national culture, that would provide a basis of legitimacy for the political order’. These three elements of ideology – socialism, unitary nationalism and isolationism – were all closely linked, and reflected a prevailing political culture among the elite. The other major influence has been Buddhism, which successive regimes attempted to harness as a basis of their authority, with varying degrees of success.20

The Anti-Fascist People’s Freedom League (AFPFL) coalition government led by U Nu21 from 1948 until 1958, and then 1960 to 1962 applied the concepts of neutrality, a form of social democracy, and Buddhist nationalism to the building of the independent state. However, the government was also strongly committed to liberal-democratic ideals, and the difficulty of

21 U Nu was the political successor to Aung San, who led the resistance against the British and negotiated independence with both the British and ethnic minority groups, but was assassinated in 1947 before the handover of power.
combining this with socialism was reflected in the tensions within the 1947 constitution (Silverstein 1989: 11).\footnote{On the other hand, Callahan (1998b: 52) argues that the constitution reflected the Thakin’s distrust of democracy, instead being focused on the empowerment of the state to build a strong and equitable economic system.}

The Union of Burma needed to reconstruct the state after the country had served as a major theatre of World War Two,\footnote{The damage from the scorched-earth policies of the British and Japanese armies during the war was estimated at US$175 million (in 1950s prices). Capital stock in industry had been destroyed, and paddy lands had turned to swamp or jungle (Mali 1962: 20).} and then was almost overrun by multiple communist and ethnic insurgencies during the civil war of 1948 to 1952.\footnote{Taylor (1987: 228) explains the underlying cause of civil war as the attempt of the political elite to control the country through liberal democratic institutions, without the coercive force of the colonial state. Therefore, they were unable to stop groups excluded from state power from taking up arms to fight for political power.} Therefore, the Economic Planning Board was formed in 1947 to plan the shape of the state.\footnote{The first economic development plans of the independent state came from the Sorrento Villa conference in 1947. From this conference emerged the first major economic policies of the independent state: the Two-Year plan, the \textit{Land Nationalisation Act} (1948) and the Statement on Industrial Policy in 1949 (Trager 1958: 89).} In 1948, a two-year plan outlined policies to achieve the goals of social and economic justice set out in the 1947 constitution, and although not much was achieved in that time due to widespread insurgency, the plan ‘shaped basic agricultural and industrial planning and policy for a number of years thereafter’ (Walinsky 1962: 64).\footnote{The Two Year plan included policies to eliminate landlordism and redistribute land to peasants, policies to recover the pre-war levels of rice exports, state-ownership for basic industries, which were to be rehabilitated, and the establishment of new industries to produce paper, chemicals, fabric, sugar and so on (Walinsky 1962: 64-66).} Within just a few years, the role of the state had greatly expanded.\footnote{In 1952, one of the economic planners of the new state wrote: ‘One of the most striking features of the post-war economy of Burma is the growth of the public sector. To the pre-war list of public utilities and enterprises of ports, railways, and post and telecommunications, one can now add airways, inland waterways, agricultural marketing, timber production and marketing, civil supplies and electricity supplies; and the Joint Ventures in metal and petroleum mining which will ultimately be completely nationalised. Trade and exchange controls have been instituted to cut down unnecessary import, prevent flight of capital and maintain a favourable balance of payments. Thus partly through circumstances but largely as a result of deliberate policy by the Independent Government of Burma, a much larger sector of the economy has come under public control than in any other South-East Asian Country’ (Thet Tun 1952: 23).} To cater to the new functions of the state, the number of people working for government departments, boards and corporations expanded rapidly, from 56,400 in 1940 to 250,000 at the end of the 1950s (Taylor 1987: 282).
However, the new state had to deal with a major administrative problem, due to rapid personnel turnover in the bureaucracy at independence. The elite bureaucrats who worked under the colonial government, in the Indian Civil Service, were considered as the top rank in the civil service (being senior to those in the Burmese Civil Service (BCS), which came into being in 1935 at the beginning of dyarchy). ICS members had a reputation for efficiency and integrity (Kyaw Yin 1963: 280), and gained prestige and social standing through their positions. But most officers of the ICS were not Burmese, and left with the colonial government. By 1948, 71 of the 99 most senior members of the administrative civil service had retired, while only nine of the 62 officials governing the Frontier Service remained. Burmese who had been serving in subordinate positions replaced them. However, the specialist services, such as health and engineering, were placed in an even worse position as they lost not only lost the majority of senior staff, but also most of the lower ranks which had been staffed primarily by Indians and Eurasians (Furnivall 1957: ae-af). Thus, as it attempted to reconstruct the country, even as the civil war was going on, the state was faced with rapid loss of institutional experience and knowledge.

Within this context, the blueprint for the new nation was *Pyidawtha*, an eight-year economic plan based on socialist welfare principles, to be funded by rapid industrialization, including development of the transportation, power, and construction sectors. The *Pyidawtha* program was based on a report on the economic and social development of the country by an American engineering firm, working in association with a mining firm and an economic firm, which was prepared for the government (Walinsky 1962: 80). Initiated at a time when the central government was finally regaining hegemony over the country (although insurgent threats against the state were still significant), the goal of

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28 Kyaw Yin (1963: 280-281) notes that this quality arose from the recruitment of the best of the best, due to the incentives that employment by the colonial government offered: ‘Their training was perfect for the job, the functions of Government were moderate, the problems were simple, the conditions of service were about the best in the world, their salary was high when a little money could buy many big things and on top of all the prestige of government officials was higher in their days’.

29 The consultants issued a preliminary report in 1952, and a comprehensive report in 1953. See (Knappen Tippetts Abbott McCarthy Engineers, in association with Pierce Management Inc. *et al.* 1953). These reports were commonly referred to at the KTA reports.
the program was to ‘create a new economic foundation for our new country…we shall leave behind us the era of exploitation and move into an era in which all Burmans\textsuperscript{30} will participate in a life that will be more varied, more prosperous, and more pleasant’ (Economic and Social Board 1954: 12-13).

\textit{Pyidawtha} was a program not just to build a welfare state but to reshape society. In addition to the plans for economic and social development, a key feature of the program was the devolution of government power, to ‘give to the people the right of determining their own destinies’ (Government of the Union of Burma 1952: 1).\textsuperscript{31} However, the burden placed on local government structures to implement the ambitious welfare plans was one of the points at which this ambitious plan was thwarted. Khin Maung Kyi (1966: 113) argues that, in an unstable political atmosphere where the authority of the political leadership had yet to be firmly legitimated, bureaucrats were required to cope with a changing role, going from that of ‘the upholder of the status quo in a colonial social order to that of a socio-economic organizer in a developing society’. Thus, the \textit{Pyidawtha} programme suffered because of the incapacity of the state to implement the plans, including the inability of government officials and the intended beneficiaries to absorb the radical ideals that underlay it. A judicial officer wrote at the time:

I must confess that although my ex-officio duties comprises [sic] functioning as a Vice-Chairman of the District Welfare Committee under the \textit{Pyidawtha} scheme, I knew very little about the functions of the Committee, until…I went out on tour together with some members of the Committee some time ago….After my transfer to the present district, I have attended the meetings of the Committee only once, as I was busy with my own work (S.L. 1957: 33).

With the country still overcome by insurgency, administrative officers had their work cut out trying to carry out the basic duties of government, let alone the added burden of implementing the welfare plans and being a

\textsuperscript{30} At the time, Burman was an inclusive term referring to all the citizens of Burma. It is common practice now to use it to refer to the majority ethnic group in the country.

\textsuperscript{31} Other components of the \textit{Pyidawtha} plan were the democratisation of local administration, a five-year plan for agriculture and rural development, the capital reconstruction and development of industry, mining, power, irrigation, transport and communication, the continuation of the land nationalisation program, a development plan for the more under-developed border areas of the country, a public housing and building program, the development of free public education, and the extension of public health services (Economic and Social Board 1954: 31-127).
representative of the people. The system was caught up in red tape as civil servants relied on the legalism, or ‘fetish for rules’, inherited from the colonial system (Khin Maung Kyi 1966: 115), and tended to resist the chaotic expansion of their role that accompanied the accelerated economic development plans demanded, instead concentrating on the colonial administrative priorities of maintenance of order and collection of revenue (Guyot 1966c: 418). Also, at the time, defence was the first priority of the government, and was a heavy drain on resources (Walinsky 1969: 342).

Furthermore, economic development was not based on the strengths of the country. The planning was based on the assumption that rice exports would stay at the levels of the post-war boom, and could finance the industrialisation program. When the world price of rice dropped significantly in 1952-53, the development targets could not be met (Thet Tun 1960: 15-16). Another flaw in the plan was that there was too little emphasis placed on productive sectors such as agriculture, irrigation, forestry, mining and manufacturing. These sectors received only 28 per cent of public investment over the course of Pyidawtha’s implementation (ibid.: 23).

Overall, as K.S. Mali concludes, ‘[t]he scale of the KTA plan was more in tune with the pace of an advanced country under good conditions, but in an underdeveloped country such as Burma the planned tempo count not be maintained or even achieved’ (Mali 1962: 85).

32 Furnivall (1960: 3) argues the change of government focus required the administrative machinery to be reoriented in an entirely different direction. For a detailed analysis of problems in the bureaucracy after independence, see also Kyaw Yin (1963: 280-296) and Guyot (1966c: 408-419). Another obstacle to the welfare state was convincing the population that they needed what they did not want, particularly in regards to public health and disease prevention (Furnivall 1960: 24).

33 Manning Nash (1965: 95-97) points out that most villagers did not share U Nu’s transformative and future-oriented goals, only being interested in politics and development when they impacted on the individual’s immediate concerns.

34 In addition, the authors of the KTA report had been influenced by the optimistic view in the early 1950s that the insurgency problems would soon be overcome (Trager 1958: 97). Overall, Trager argues that ‘[e]ven if all of the government’s meager manpower resources and skills, plus those otherwise acquired, could have been applied to the KTA projects (totalling K3,500 million), only half of the overall program would conceivably have been fulfilled. To accomplish that half, particularly when it involved detailed external negotiations, contracts, purchases, deliveries, blue-prints, construction and actual production, would necessarily have taken longer than from 1952 to 1960 merely for the intermediate industrial phase’ (ibid.: 103).

35 The most detailed analysis of the development and implementation of the Pyidawtha plan can be found in Walinsky (1962). See also Trager (1958).
Therefore, by 1955, as the economy deteriorated, the plan was abandoned and the government rhetoric shifted to an encouragement of the private sector (Steinberg 1982: 67-68). In 1957, U Nu acknowledged the government’s mistake in not establishing law and order in the country before undertaking a large-scale development plan,36 and proposed a four-year plan to get the economy in order and improve government performance (Walinsky 1962: 227). The distancing of the economy from socialist ideology was confirmed in 1958, when the AFPFL rejected Marxism as an ideology, in order to distance their policies from the insurgent Communist Party of Burma (CPB). However, Prime Minister U Nu still advocated a socialist state (Sarkisyanz 1965: 219-220).

After the failure of Pyidawtha, the quest for national unity and development shifted from an economic focus to a spiritual one under the influence of U Nu’s increasing devotion to Buddhism. Unlike the artificial construction of a Burmese national identity, religion was a unifying concept for a large part of the population (mostly the majority Burman group). Donald Eugene Smith argues that the Buddhist religious revival among the elite, as a nationalist phenomenon, was also an important factor in the ideological shift from Marxism to moderate democratic socialism (Smith 1965: 125).37 U Nu attempted to recapture the traditional role of religion as a fundamental component of the state, most notably by making Buddhism the state religion in 1961. Buddhism, which is inextricably tied to Burman identity, was reintegrated into the ideology of the state as a major feature of its legitimacy. Although U Nu took measures to reassure religious minorities that the constitution privileging of Buddhism would not affect their freedom of religion or citizenship rights, the move increased tensions among ethnic minorities who were not majority Buddhist – the Chin and Kachin in particular – who saw it as increasing Burman cultural and political domination (Smith 1965: 250).

36 During the 1950s, the state had to be highly militarised to respond to insurgency and high crime rates. In 1956, 23 per cent of capital expenditure was allocated to defence, and law and order (Taylor 1987: 250-251).
37 However, Sarkisyanz (1965: 210) writes that the particular blend of Buddhism and Marxism envisioned that independence would bring a return to the ideal society of Buddhist legend.
Josef Silverstein (1980: 207) notes that the politics of this time was contradictory, as the political leaders simultaneously supported unity in diversity, and a process of political nationalization and cultural Burmanisation. Nevertheless, for those who identified with the Burmese nation, this era has been described as a time of great optimism (personal conversation 3, December 1999). For the first time in many years, Burmese were in control of their own country. The AFPFL government was not entirely tolerant of its critics, but civil associations proliferated, and a strong press and an independent judiciary developed (Callahan 1998b: 64).

However, the post-independence regime, which wanted to reshape the state into a form as yet untried and to build a nation from the diverse inhabitants of the colonial-defined state, had to deal with a country where a large minority did not want to be part of the state, or did not recognise the legitimacy of the government. At the same time, the war had devastated the infrastructure of the country and disrupted the economy. Consequently, the practice of democracy in Burma relied extensively on patron-client relationships in order to function. The state depended on powerful ‘local bosses’ and army commanders in the regions to keep social control (Taylor 1987: 264-266). Local authority was based on control of violence by militias that had developed during the resistance movement (Callahan 1998c: 23-25). Clientage systems

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38 Callahan (1998b: 54) notes that the Public Order (Preservation) Act of 1947, legislated to empower police to detain suspected insurgents, was used by many politicians to arrest their political opposition, some of whom were detained for two years without trial. Some journalists and newspaper editors were also arrested for publishing articles critical of the government (ibid.: 65).

39 Eric R. Wolf (1966: 2) points out that formal structures of economic and political power are supplemented by informal power structures that exist alongside it. One of these is the patron-client structure, which is based on multi-faceted and hierarchical relationship. The patron provides ‘aid and protection against both the legal and illegal exactions of authority’. In return, the client provides demonstrations of esteem and loyalty and guarantees of political support (ibid.: 16-17). Further, James C. Scott (1972: 93) notes that such relationships are common to societies where ‘community norms and sanctions and the need for clients require at least a minimum of bargaining and reciprocity; the power imbalance is not so great as to permit a pure command relationship’. He argues that patronage has remained a persistent quality of contemporary politics in Southeast Asia due to the continued existence of marked inequalities of power, wealth and status, the inability of political institutions to guarantee physical and economic security, and the inability of kinship ties to promote personal security or social mobility (ibid.: 101). In Burma, the effect of patronage structures on the democratic system was to apply strong distributive pressure for the material benefits of the political system to be transferred down to the clients (ibid.: 112). Scott reports that peasants who received agricultural
were also a basis for political power in the complex structure of the AFPFL, where ‘in the internal struggle for power, a leader was measured by his following’, causing deep personal rivalries and the growth of a ‘spoils system’ within the party (Silverstein 1977: 65).\(^{40}\) The inability of the central state to exert its authority resulted in a crisis of governability (Callahan 1998b: 59).

Over time, the government failed to live up to the high ideals it had promoted. The new system of government generated excessive red tape and, correspondingly, the growth of petty corruption by officials (Editor 1961: 7). As a result, the bureaucracy came to be perceived by the public with contempt and resentment.\(^{41}\)

In 1960, the Deputy Commissioner of Prome (Pyay) wrote that

Civil Service in Burma has been stagnating for the past 10 or 15 years....Many members of the service have fallen into abject apathy and developed a habit of leaving things to their fate and waiting patiently for the structure to crash around their ears (Theippan Soe Yin 1960: 17).

His opinion was that, having failed to adapt to the needs of the post-colonial system, ‘the problem of the Civil Service, as I see it, is that it has been without its backbone for years’ (ibid.:18).

Public contempt also grew over the factional fights of politicians.\(^{42}\) The dominance of political disputes in the news overshadowed the achievements of the government (Silverstein 1989: 13). According to Tin Maung Maung Than

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\(^{40}\) Spiro (1992: 188-191) theorises that social instability of the post-colonial order, characterised by insurgency, political violence, political factionalism and crime, emerged from the suppression or abandonment of traditional social and cultural forms under the colonial government, which he argues deprived communities and individuals of institutionalised means for the expression of aggression.

\(^{41}\) The Guardian Magazine frequently published satirical articles on the civil service, such as the following ‘Portrait of a Civil Servant’: ‘One can visit an officer in his spacious, luxurious, well furnished and cool room. You will see bundles of files of papers piling high on the table, on the racks and in the corners; his table is littered with unopened, letters and loose pieces of paper. He is smoking his pipe, leaning well back on his revolving chair with his feet up on the table, probably deep in thought trying to disentangle a knotty problem. When you ask his permission and go in, in a respectful manner, giving due consideration for disturbing his thoughts, it is certain that he would stare at you and not take the trouble to take his feet off the table. That is the wrong approach. But if you fling open the door and with a pini jacket, uncombed hair, horned spectacle and put on a scowl, he would instantly put down his feet and sit up. Then he would offer you a chair. It is easy to understand. In that condition you can but be a politician (Theippan Soe Yin 1957: 16).

\(^{42}\) Factionalism also existed in local level politics. See Spiro’s description of factionalism in a central Burmese village around the time of the 1960 election (Spiro 1992: Chapter Six).
(1997: 177), political instability eroded the capacity of the government to implement economic development.

Political factionalism reached its height in 1958 when the AFPFL coalition, who had given a degree of unity to politics since the end of the War, split into two parties. The military stepped in, and U Nu was forced to hand power to a caretaker government under General Ne Win, the commander of the armed forces. The Caretaker Government remained in power from 1958 to 1960. This was the first direct military involvement in politics, and although the military operated under the rule of law and handed back power after the 1960 election, this period saw a much greater penetration of military influence in the economy and society, and served as a precursor to the latter coup. Administration was militarised, with 144 military officers being assigned to run the ministries (Director of Information 1960: 561-567).

The Caretaker Government’s primary goal was to improve government administration. At this time, the military perceived its political role as getting the country back on track, in terms of administrative efficiency, and thus did not make any major changes in policy (Feit 1973: 92). However, more authoritarian methods of implementation were used, and a less socialist orientation to economic management (such as the ceasing of the problematic land nationalisation program, and encouragement of private enterprise) was applied. The Caretaker Government used the institutional organisation of the military to implement plans already on paper (Editor 1959: 7). By the end of its rule, the autonomy of the ethnic states had been weakened, and administration had become much more centralised (Silverstein 1977: 78). The

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43 During the Caretaker period, the Defence Services Institute (renamed as the Burma Economic Development Corporation in 1960) expanded from operating staff shops to ‘become the most powerful business organization in the country’ (Walinsky 1962: 261). It was involved in banking, construction, ocean shipping, and fishing, and owned department stores, a bus-line, restaurants and many other businesses (ibid.: 261).

44 For example, the work-hours of civil servants to the highest levels were closely monitored to ensure government personnel were present from 9.30am to 4.30pm. Three thousand civil servants who were not considered qualified for their jobs were dismissed. Businessmen who had prospered through political connections were forced to pay their tax and loan payments (Walinsky 1962: 256-257).

45 The editor of The Guardian also noted that the administrators of the Caretaker government had the advantage of not needing to cultivate patronage relations with the electorates to secure votes for the next election (Editor 1959: 7).
patronage links between politicians and local political leaders had been undermined (Pye 1962a: 248).

In the end, the achievement of the Caretaker Government was to ‘correct the most serious weaknesses evident under the previous governments, [and point] clearly to the new directions necessary’ (Walinsky 1962: 265). Its success seems to lie in its temporary status, and the fact that it was the only government in post-independence Burma that did not govern with a blatant ideological purpose.

Military Rule: the development of the command state

The second intervention by the military into politics was in the form of a coup d’etat in 1962 when the military under Ne Win’s leadership deposed U Nu’s government and established rule under the Revolutionary Council. The coup had very different consequences for the country than the 1958 coup, as this time the military had no intention of handing back control of the state to civilians. Direct military rule by the 17-member Revolutionary Council combined elements of the anti-colonial ideology with the military worldview. This worldview developed first in the resistance movements during World War Two when the Burma Independence Army (BIA) was formed as a revolutionary force to fight the British, and later to drive out the Japanese occupation force. What emerged was an institution that has been described as ‘a political movement in military garb’ (Guyot 1966a). Unlike the bureaucracy, the institutions and personnel of the post-independence military were completely divorced from its colonial predecessor (Guyot 1966b: 331). The new army was dedicated to the nation and national goals, which produced a ‘totalitarian disregard for individual values’ and xenophobia, as well as hostility to politicians (ibid.: 337-338). The cohesion of the military was then developed while defending the new state from multiple insurgent organisations in the first few years of independence, and penetration by Chinese Kuomintang (KMT) forces who based themselves in northeast Burma to fight the Chinese civil war,

and later starting heroin trafficking to fund themselves. Callahan (1997: 9) argues that the military developed as a powerful institution in the 1950s in order to counter these threats, being transformed from ‘a disorganised army of guerrillas’ to a strong, centralised and autonomous organisation.\(^{47}\) It also developed as an institution dominated by Burmans, after all Karen members were relieved of their posts at the beginning of the Karen National Defence Organisation insurrection, and later dismissed (Guyot 1966a: 53; Tinker 1967: 324). This process laid the basis for military dominance of state-society relations, as ‘by virtue of the operational demands on the army during the 1950s, the Tatmadaw was alone among national-level institutions in consolidating authority throughout territory that stretched beyond central Burma’ (Callahan 1997: 9). From the mid-1950s, civil-military relations deteriorated, as civilian politicians were seen as drifting from their revolutionary roots (Callahan 1996: 460-461). Military officers saw the Tatmadaw as the only institution committed to the nation.\(^{48}\) An article published shortly after the coup by a retired officer outlined the platform of the Tatmadaw that had been established at the Defence Services Conference in 1958:

The role of the Defence Services is to defend with firm resolve...national development and eliminate any threat or obstruction to it. The Path is mapped out by their slogan: Peace and the Rule of Law – first; Democracy to bloom – second; Establishment of socialist economy – third (Ba Than 1962: 75).

By 1962, democracy was a much lower priority, with law and order and the forging of a socialist nation as the primary priorities of the coup leaders. The combination of the military’s siege mentality and belief that they were the only institution that could protect the sovereignty of the state from external and internal threats, along with the anti-imperial aversion to capitalism and

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\(^{47}\) Lucian W. Pye (1962a: 238) argues that, due to the substantial amount of public funds allocated to defence, the military was able to modernise more rapidly than other institutions in the country.

\(^{48}\) Jon A. Wiant (1986: 250) argues the many military officers thought that U Nu was undermining the accomplishments of the Caretaker Government, and was promoting disunity with his sectarian policies, and sponsorship of the Federal Seminar.
geopolitical interference, created an extreme version of the nationalist, socialist, neutralist ideology.\textsuperscript{49}

Mikael Gravers (1993: 8) has described part of the colonial legacy in Burma as nationalist paranoia, which linked ‘fear of disintegration of both union and state with the foreign take-over of power and disappearance of Burmese culture’. Consequently, the political leaders of independence shaped the state around isolationism and cultural conservatism, which, as Gravers described, ‘generated fear and trepidation of change and everything that comes from outside’ (\textit{ibid.}). Although this only took the form of neutralism under U Nu’s government, it took an extreme form of isolationism under Ne Win’s government, which was preoccupied with economic and political self-sufficiency, even at the expense of national development.\textsuperscript{50}

Despite the gradual softening of socialism under U Nu, the Revolutionary Council undertook extensive nationalisation of the economy within a few years of taking power, from major companies, banks and media down to local stores. Agriculture was the only substantial economic activity that remained in private hands (Walinsky 1969: 347), although the government’s ‘people’s war’\textsuperscript{51} involved a high military presence in rural areas, with soldiers making up labour shortages at harvest time, and ensuring that the government’s share of the crop was secured (Wiant 1986: 256). The increased centralisation of the state and economy entailed an even more expanded role for the state than during the development program of the 1950s, but was accompanied by a weakening of the state’s institutional resources.

The efficiency of the Caretaker Government administration had cemented the antipathy of the military leadership towards the civilian bureaucracy, which was considered a remnant of colonisation. After the 1962 coup, the Revolutionary Council accused the AFPFL of an inability to take control of the state from the bureaucrats (Taylor 1987: 309-310). Subsequently,

\textsuperscript{49} For more information on civil-military relations in the post-independence era, see Hoadley (1975), Lissak (1976), Taylor (1985) and Wiant (1986).

\textsuperscript{50} For a description of foreign policy under Ne Win, see Maung Maung Gyi (1981).
the capacity of the bureaucracy was further weakened as around 2000 career civil servants, including former ICS officers, were retired. Additionally, many of the military officers who were in the caretaker administration were purged because they were not considered sufficiently socialist (the most notable being Brigadier Aung Gyi) (Steinberg 1982: 79), thus wiping out most of the administrative experience that existed in the military. Steinberg (1981b: 35) notes that ‘[t]heir places were filled with more, but less qualified, administrators whose principle virtue was that they were politically trustworthy’. Another measure taken to militarise administration was the establishment of Security and Administrative Committees (SAC) at each administrative level, headed by military officers. As Taylor (1987: 268) noted, this had ‘the effect of placing the power of the army and the police behind the local administrative officers’. Further, the management of nationalised firms was placed under the control of military officers (Silverstein 1977: 156).

Thus, the inefficiencies, lack of institutional knowledge and weak authority experienced by the bureaucracy in Burma, which were not unusual for a newly independent country, were exacerbated and institutionalised by military rule. The lack of human resources at independence goes some way to explaining the administrative problems that followed. However, the bureaucracy never had the opportunity to consolidate, because while there were plenty of educated Burmese by the 1960s (to the extent of unemployment problems for university graduates)53, the military regime inculcated a bureaucratic culture based on military values, where administrative competence was subordinated to control.

51 The people’s war was a counter-insurgency strategy initiated in 1964, on the basis that the population is mobilised to provide cooperation and participation fighting against insurgents (Maung Aung Myoe 1999a: 8).
52 There has been huge growth in the size of the bureaucracy since the beginning of military rule in 1962. The number of government employees increased by 89.9 per cent under the Revolutionary Government, and 60.8 per cent under the BSPP (Taylor 1987: 310; de Weerd 1992: 76).
53 Within a decade of the 1948 handover, the system was producing more graduates than the society could provide positions for. Under the socialist regime, professional, technical and administrative positions were rare, accounting for only 2.8 per cent of the employed population (UNESCO 1989: 6).
The result was a state run like a military institution. According to Taylor (1987: 299), ‘[t]he leadership’s working concept of a socialist economy was more like a system of military post exchanges than of a complex national organization of production and commerce’.

*The Burmese Way to Socialism* (Revolutionary Council 1962), published six weeks after the coup, outlined the military regime’s ideology of social justice. The BSPP was subsequently formed as a cadre party with membership almost exclusively made up of the Revolutionary Council, to provide an institution to entrench the military in politics. Jon Wiant (1986: 241) argues that ‘this revolution had as its goal nothing less than an idealized Burmese state as indebted to Buddhist visions of the “just society” as to the radical socialist ideas which flavored its policy statements’.

The Revolutionary Council set about not merely shaping the state into a new role, but also gaining a strong and complete control of society through a redefinition of the public sphere. After an unsuccessful attempt to seek cooperation from political parties and businessmen, the Revolutionary Council made the BSPP the only legal political party in 1964. People’s Workers Councils and People’s Peasants Councils, and later the Lanzin Youth Organisation, were formed to mobilise and control the population centrally (Steinberg 1981b: 31-35). These institutions were ostensibly the conduits of popular participation in government, a major emphasis of the socialist regime, but the government’s definition of participation was very narrow (Wiant 1981: 64-65). The BSPP was transformed into a mass organisation in 1969 and a new constitution was

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54 *The Burmese Way to Socialism* states: ‘The Revolutionary Council of the Union of Burma does not believe that man will be set free from social evils as long as pernicious economic systems exist in which man exploits man and lives on the fat of such appropriation. The Council believes it to be possible only when exploitation of man by man is brought to an end and a socialist economy based on justice is established; only then can all people, irrespective of race or religion, be emancipated from all social evils and set free from anxieties over food, clothing and shelter and from inability to resist evil, for an empty stomach is not conducive to wholesome morality, as the Burmese saying goes; only then can affluent stage of social development be reached and all people be happy and healthy in mind and body. Thus affirmed in this belief the Revolutionary Council is resolved to march unwaveringly and arm-in-arm with the people of the Union of Burma towards the goal of socialism’ (Revolutionary Council 1962). This was developed in the philosophy of the Burma Socialist Programme Party, published in 1963 (The Burma Socialist Programme Party 1963).
Examining the Myanmar State

prepared in order to permanently institute the military regime in power. But although membership was broadened, Wiant (1986: 260) claims that the military and the BSPP were largely indivisible. Administration to the lowest level was placed under military control, initially through the SACs, and later under the People’s Peasants Councils, which were chaired by military officers (Steinberg 1981b: 33). In all, the military attempted to confront its legitimacy problems by ‘closing off the sphere of politics from society at large’ (Yawnghwe 1995: 191).

Life under ‘the Burmese Way to Socialism’ was shaped by the regime’s aspiration to have control over every aspect of public life, including domination over social conventions, personal appearance and behaviour, and this goal was pursued to the best of the regime’s capacity. In the socialist revolution, the government considered it had the right to reshape each individual, and those who did not comply lost any chance of advancement and social mobility. Walinski (1969: 346-349) points out that the Revolutionary Council concentrated on national consolidation through economic development and attempts to negotiate peace with insurgent groups, but neglected the social, political and cultural aspects of nation-building. Rather, he argued at the time, ‘the military have been in these fields a regressive, not a constructive, force. They do not communicate; they give commands. They do not encourage men to initiate, to innovate, to grow taller than they are; they require them uncritically to comply and even to bow’ (ibid.: 349).

Buddhism remained a significant influence under military rule, but in a less overt manner. One of the first acts of Ne Win’s regime was to rescind Buddhism as a state religion, and shape a secular state that removed religion from the public sphere to individual concern (Tin Maung Maung Than 1988: 55).

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55 According to Taylor (1987: 325-326), the main function of these mass organisations was political socialisation, and attempt by the BSPP to ‘get its message across while preventing counter-messages being heard and understood’. For more detail, see ibid.: 323-326.
56 In 1975, 75.5 per cent of BSPP Central Committee members were military officers. In 1981, the number of active officers had been reduced to 22 per cent, but overall 70 per cent of Central Committee members had military backgrounds (Taylor 1987: 320).
57 The Revolutionary Council banned horse-racing, beauty contests, government sponsored music and dance competitions, and the traditional gambling of the Shan State. Only cultural activities sanctioned by the state were permitted (Taylor 1987: 295-296).
The military government also abandoned the idea of the state as defender of the faith, as pursued by U Nu’s nationalist policies (Smith 1965: 127). This was effectively a choice in favour of socialism over religion as the defining feature of the state. In the first couple of years of military rule, the Buddhist Sasana Council was abolished, and government funding for the promotion of Buddhism and other religions ceased, along with other elements of state patronage like the broadcasting of Buddhist sermons on the Burmese Broadcasting Service (Smith 1965: 283-286). In effect, the Revolutionary Council reversed the process of shaping the state and its priorities around religion.

However, no Burmese state could survive by marginalising Buddhism, so in 1965 Ne Win attempted to draw the Buddhist sangha into his sphere of control by institutionalising the sects. He failed then, but was finally successful in convincing the mainstream orders to institutionalise in 1980, through the ‘Congregation of the Sangha of All Orders for Purification, Perpetuation and Propagation of the Sasana’. Ne Win created the State Sangha Maha Nayaka Committee to organise nine state-recognised orders of monks to the exclusion of others. This committee was part of a centralised hierarchical structure, running parallel to state administrative structures, which consolidated the sangha into a unified body under the authority of the state (see Tin Maung Maung Than 1988: 42; Matthews 1993: 415-416).

The extreme changes the Revolutionary Council had instigated put great strain on the state. The nature of the command state generated ‘inefficiency, wastage, lower production, and inflation’ (Hoadley 1975: 61). As early as 1965, Ne Win admitted that ‘[c]onditions worsened to such an extent that the people would have starved if Burma were not a food-surplus country’ (Steinberg 1981a: 260). At this point, the extreme control of the economy was rolled back to some extent. However, in the first decade of military rule, there was little long-term economic planning. The economic lessons of Pyidawtha had not been learnt, and priority was given to a poorly planned industrialisation program, while existing industries were allowed to run down to very low levels of
productivity (Steinberg 1981b: 37). Public expenditure on agriculture declined from 11.3 per cent of capital expenditure in 1964/1965 to 4.4 per cent in 1970/71. In the same period, the export trade was halved (Steinberg 1981c: 32). The effect of macro-economic policy undercut efforts by the Revolutionary Council to legitimise its rule by appeasing the rural population. From the beginning of its rule, the support of farmers had been cultivated through legislation to protect and enhance the rights of peasants, the extension of agricultural credit programs, and the extension of health and education services in rural areas (Thawnghmung 2001: 76-77). However, a disadvantageous state rice procurement system and highly interventionist and regimented agricultural development programs reversed the initial support that had been gained (ibid.: 83, 276). Moreover, economic growth was stalled by the government policy of maintaining low consumer prices, at the expense of agricultural profits (Myat Thein and Mya Than 1995: 212). In urban areas, the standard of living deteriorated substantially after the advent of military rule (see Figure 2.1).

![Figure 2.1: Rangoon Consumer Price Index (CPI), 1950-1975](image)


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59 Since the Congregation, the Ministry of Religious Affairs has controlled appointment of the relevant committees (Liddell 1999: 67).
Development plans were stalled by the refusal of the government, as part of its self-sufficiency policy, to accept more than minimal foreign aid, which prevented the accumulation of foreign exchange (Steinberg 1981c: 32). By the late 1960s it had become obvious that the extreme methods of ‘the Burmese Way to Socialism’ had run the economy into the ground, and rendered the state unable to implement its development agenda. Income per capita remained on par with pre-war levels (see Figure 2.2).

From the early 1970s, the more radical and autarkic nature of the state was modified as the radical left faction of the Revolutionary Council lost influence. The lack of long-term planning under military rule was corrected with *Long-Term and Short-Term Economic Policies of the Burma Socialist Programme Party* (formally adopted in 1972). This document reflected upon the economic mistakes of the Revolutionary Council and set out policies for an economic and political readjustment of the state (Steinberg 1981b: 44). The Twenty Year Economic Plan shifted development emphasis from industry back to agriculture, leading to growth in rice production and in foreign exchange.

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60 Badgely argues that the distinct policy phases during the rule of Ne Win were related to the dominance of senior officers. The more moderate application of socialism in the first year of military rule, which attempted to engage with civil society, is attributed to the influence of Brigadier Aung Gyi. He was purged in 1963, and the extreme left-wing policies emerged under the dominance of U Ba Nyein and Brigadier Tin Pe. Their removal in 1970 preceded economic reform (Badgely 1989: 70-71). However, Badgely also argues that the pre-eminence of Ne Win was the key factor in the regime, stating that ‘Chairman Ne Win primarily drew upon senior military officers to implement his ideas of governance, men who resigned when his programs failed, taking the heat themselves and always protecting their chief’ (*ibid.*: 71).
reserves. In 1973, the ban on foreign loans and aid was revoked (Khin Maung Nyunt 1990: 149). The government entered into development programs with the World Bank, the International Monetary Fund (IMF), the Asian Development Bank (ADB) and United Nations Development Programme (UNDP), as well as accepting increased bilateral aid (Wiant 1986: 258). The total amount of foreign aid and loans to Burma increased from US$65.4 million in 1974 to US$413.8 million in 1986 (Khin Maung Nyunt 1990: 25). Bilateral aid accounted for a large portion of this; it was 74 per cent of the total in 1986. In addition, the private sector was allowed to re-emerge. The economy improved under these measures, but ultimately was damaged by the extreme centralisation and bureaucratisation of the state (Steinberg 1981b: 170-172). Despite the opening up to aid agencies, foreign policy remained ‘closed and self-serving, only responding selectively to inputs from abroad’ (Maung Maung Gyi 1981: 10).

The new constitution in 1974, developed by the BSPP to consolidate the socialist political system, marked the change to a unitary one-party state, with all power vested in the BSPP. While the new constitution indicated a change in the state structure, the regime remained much the same, with the military integrated into a rigid party structure that was resistant to political change. The state under the BSPP was characterised by ‘rigid Party control, excessive

61 One of the first decisions of the BSPP was for State Economic Enterprises (SEEs) to operate on a commercial basis (Khin Maung Nyunt 1990: 137). In addition, the government procurement price for rice and other crops was increased (Myat Thein and Mya Than 1995: 214).
62 Burma joined the ADB in 1973 (Khin Maung Nyunt 1990: vii).
63 Naturally, the increase in foreign loans led to a corresponding increase in long-term debt: from US$281 million in 1975 to US$2,982 million in 1985 (Khin Maung Nyunt 1990: 110). This produced a critical state of indebtedness by the mid-1980s (ibid.: 132).
64 In 1986, the largest source of bilateral aid to Burma was Japan, which donated 58.2 per cent of the total. The next highest sources were Germany and Norway, which contributed 13.4 and 12.8 per cent respectively (Khin Maung Nyunt 1990: 29).
65 Legal private enterprises were restricted to small-scale business. In 1985, of 39,239 private manufacturing establishments, only six had more than 100 hundred employees, while 88 per cent had fewer than 10 employees. Private firms accounted for only 39 per cent of output in the manufacturing sector, compared to 60.9 per cent produced by 2482 state-owned and cooperative firms that were allocated foreign exchange for the import of equipment and raw materials. However, in agriculture, the private industry accounted for 94 per cent of production (Taylor 1987: 345).
66 The 1974 constitution removed liberal-democratic elements of the previous constitution, putting the national interest first (Silverstein 1989: 16).
centralization, inefficient or inadequate planning, and fear of innovation’ (Keyes 1981: 50).

Faults in the political and economic systems, and their impact on society, were apparent from the beginning of military rule, but became increasingly manifest as time went on. This was the result of the trade-off by the government, as Aung-Thwin (1989: 32) characterised it, for autonomy from outside influence at the expense of progress. Political dissent was demonstrated in major anti-government demonstrations in 1962, 1968 and 1974, and an attempted coup by junior army officers in 1976. Over the same time, the standard of living deteriorated, as indicated by the changes in average expenditure on food and beverages per household, which rose from 48 per cent of household expenditure in 1961 to 65.2 per cent in urban areas and up to 79 per cent in some townships by 1976 (Steinberg 1981b: 78) (see also Figure 2.3). By the mid-1980s, when the economy went into steep decline, even the military no longer perceived socialism as viable for their needs, as was shown by the economic and political reforms initiated in 1987.

The socialist state had failed to deliver its promises, economically and politically, and faced a legitimacy crisis in 1988 that it was unable to overcome. However, long before that point, the social and economic hegemony of the state was low. As Sarah Bekker (1989: 59) points out, one of the societal reactions to increasing impoverishment during the socialist era was to pour money and energy into pagodas and nat (spirit) shrines. This included a tendency towards gigantism of Buddhist images, which she interpreted as ‘a way to break a stagnating Karma…a feeling that “normal” can no longer be depended upon for help’.

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68 In 1987 foreign exchange reserves were barely enough to cover one month’s worth of imports, and the country’s debt was US$5.3 billion (Steinberg 1989: 40).
Another coping strategy, and a major reason for the durability of the state under military rule, was the emergence of ‘informal’ economic sectors that ensured most people could subsist, and a small percentage could profit enormously. When the Revolutionary Council nationalised private business in the early 1960s, the major losers were the business class dominated by ethnic Chinese and Indians, who had been economically privileged under colonial rule. The loss of their businesses coincided with the application of strict citizenship rules that did not recognise second or third-generation residents as citizens, which in turn resulted in a major exodus of Chinese and Indians from the country.\(^{69}\)

Some of these entrepreneurs relocated to the Thai-Burmese border, and began compensating for the deficiencies of the socialist economy by smuggling consumer goods into the country. Within the country, traders who had been involved in legal trade before the nationalisations found ways to circumvent government regulations, and gradually the sphere of economic activity expanded whenever someone found they could fulfil a need. While illegal economic activities, such as violation of royal monopolies during the pre-colonial era, have existed for some time, during the socialist era these dominated economic activity in the country (Kyaw Yin Hlaing 1998: 1). Twenty-two state-run trade corporations (later increased to 23) monopolised

\(^{69}\) By July 1963, 96,800 of the 108,564 registered Indian nationals, and 11,786 of 26,233 Pakistanis, had left the country (Steinberg 1981a: 260).
Chapter Two

the official trade and distribution of commodities. Illegal trade was popularly known as ‘Trade Corporation Twenty-Three’ (ibid.: 9).

Informal economic activities involved the redistribution of goods from public stores, illegal trading, smuggling valuable resources such as gems and teak out of the country and consumer goods into it, and the provision of services such as health care and education that the state did not have the capacity to provide. While the government distribution system was unable to provide even enough rice for household needs,

[r]ice traders and brokers who managed to find a way to get round the socialist regulations...successfully carried out the illegal transportation of rice from delta area all the way up to Mandalay and other cities of central Myanmar (Kyaw Yin Hlaing 1998: 10).

In this way, many of the deficiencies of the socialist economic system were alleviated, and this made it possible to live under the military state. It also explains why constant economic hardships were not as much of a threat to the power of the regime as is sometimes made out; no-one relied solely on the state and state-sanctioned activities to get by. Even local state bodies regularly sold goods from cooperatives and Trade Corporation stores to the black market in order to raise money for state-sponsored ceremonies (ibid.: 24). The central government attempted to apply harsh measures against illegal traders and dealers, such as the demonetisation in 1987, as their activities represented a fundamental failure of the state. But local authorities tended to be much more lenient, recognising the vital contribution of illegal economic activity to maintaining stability in daily life (ibid.: 25-28). By 1987, it was estimated that illegal trade was three times the amount of legal trade (Steinberg 1989: 41). 70

Unresolved Issues in Post-Independence Regimes

John Badgely (1989: 74) argues that rather than a sharp difference of values, both U Nu and Ne Win based their claim to state authority on, and

70 Steinberg (1989: 42) describes Burma under socialism as ‘a nation of illegal consumers and traders...Scarce goods are rarely weighed or measured accurately; a few pounds underweight on bags of rice or fertilizer, or a few ounces of a gallon of gasoline over time can support a family...One litre of gasoline illegally sold can provide someone with the same salary as the managing director of a government corporation’
attempted to define national identity around, a combination of socialism and Buddhism. While the application of these beliefs took the forms, respectively, of social democracy and authoritarian centralism, these were based on the development of specific power bases tied personally to each leader.

In the post-independence period, the emphasis on socialism had an adverse effect on nation-building. Despite the Panglong conference in 1947, and the Federalist Seminar in 1962, which were attempts to build a national consensus on the structure of the state, the political leadership in Rangoon pursued national unity through the ideology of socialism, rather than prioritizing measures to achieve ethnic unity. Consequently, the state was a unitary state, with only a nominal degree of decentralisation, largely through the allocation of political positions at the center to representatives of the ethnic minority groups. Although the ethnic states ostensibly had the powers to make policies and levy taxes, ‘in reality, the institutions and practices...were almost identical with those in existence prior to independence’ (Silverstein 1977: 59).

It is possible that, over time, concerns of the ethnic minorities could have been addressed. However, according to F.K. Lehman, this was not likely to have happened at the Federalist Seminar. This seminar was convened in February 1962 to discuss the provisions built into the 1947 constitution for the secession of the Shan and Kayah (Karenni) states. Residing at the time with the delegation from Kayah State, Lehman (1981: 1-5) realised that not only was the vision of what federalism entailed far from homogenous among the ethnic minorities, but, within each ethnic group, issues of identity remained ambiguous.

Moreover, Silverstein (1981: 51) argues that political leaders of the day, such as U Nu, believed that the colonial state created artificial ethnic divisions, and that the people could be reunited as one through development and cultural

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71 The Panglong Agreement of 1947, between Aung San and most of the ethnic minority leaders, is upheld as a symbol of unification. However, the agreement did not outline a federal structure as is often assumed, but was an agreement for limited autonomy in the former frontier areas along the lines of the status of the Shan states under British rule (Yawnghwe 2000: 90). This paved the way for the structure of the state in the 1947, which Chao Tzang Yawnzhwe describes as ‘unitary and colonial’ (ibid.)
assimilation. This contrasted with the faith of many ethnic minority leaders in the promises Aung San made at the Panglong conference for a system based on unity in diversity. From independence, government policy towards the minorities assumed an ‘assimilationist’ nature, which, according to Brown (1994: 48-54), spurred the development of ‘minority consciousness’.

With the coup in 1962, Ne Win removed the issue of federalism from the political agenda. Instead, the military regime attempted to ‘de-politicize ethnicity’ (Taylor 1987: 301). The ethnic groups who had not already done so ended up in armed opposition to the central government, making the forging of a genuine national identity impossible. Without the strength to put a decisive end to insurgency, the government was absorbed by political and military strategies that could not do more than contain the armed threats to the state to border areas (Taylor 1983a). At the same time, many of these strategies, such as the government’s reluctance to tax the peasantry for fear of driving them to support the insurgents, contributed to the decline of the economy and the weakness of the state (ibid.: 102).

Thus, despite the experimentation with parliamentary democracy, the enduring political form of the Burmese state and society is that of a strong state, characterised by authoritarianism and militarisation. Often, this has been explained or defended as innate to Burmese political culture, especially when reflecting on the widespread political factionalism of the democratic era. For example, Maung Maung Gyi (1983: 154-177) argues that authoritarianism is an innate feature of Burmese political values, institutionalised in highly personalised and hierarchical political and social systems. The advent of authoritarian military rule ‘merely cashed in on this vast store of in-built attitudes and values of the Burmese society that [were] supportive of [Ne Win’s] rule pattern’ (ibid.: 3). However, the examination of political culture, including assertions that the Burmese are not suited to democracy, is not

73 Even those advocating democratisation recognise the obstruction of certain features of Burmese political culture. Aung San Suu Kyi has acknowledged that ‘many Burmese values are antithetical to democratic ways’ (cited in The NIU Mandala, Newsletter of the Centre for Southeast Asian Studies, Northern Illinois University, No. 17, Spring 1998: 2). Also, a
sufficient to explain contemporary history. This is not least because the interpretation of why parliamentary democracy in Burma ‘failed’ tends to reflect on the way subsequent and ongoing military rule is assessed.

A common view of the coup in 1962 is that it represented a distinct break in state and leadership. Silverstein (1989) describes this as a move from a political state where both elite and people were committed to liberal democratic ideas, to an administrative state where the leaders merely paid lip-service to democratic values. Ne Win attempted to inculcate a culture of authoritarianism by appealing to the inherent values contain in the pre-colonial style of absolute kingship (Silverstein 1998a: 24).

Other scholars, such as Aung-Thwin and Taylor see the two regimes as distinct, arguing that liberal-democracy was insufficient for the task of creating a cohesive state alien to Burmese political values, and that – rightly or not – the military coup was a return to traditional authoritarian-style rule, which was strong enough to correct the weaknesses of the state. The difference between these two scholars’ theories is that Aung-Thwin (1989: 27-33) perceives the colonial period as an interlude as well, and emphasises military rule as the return of state-society relations to a pre-colonial model (with the exception of kingship), that was grounded in historical values and structures. Taylor, on the other hand, recognises the fundamental changes to the Burmese state and society instituted by the colonial regime, but also sees the parliamentary democracy era as characterised by a weakening of state autonomy. The struggle to capture the state by political groups with conflicting ideologies caused the state to be ‘displaced as the creator of political order and economic direction and [lose] its hegemonic position’ (Taylor 1987: 217). The result of the

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74 Aung-Thwin (1989: 29) opines that ‘the so-called parliamentary democracy that was instituted after 1948 was a pseudo political system, for it had no real links (structural or conceptual) to Burma’s social and economic realities, to Burmese history and political experiences, or to Burmese perceptions of legitimacy and leadership’. 

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researcher from a Bangkok-based NGO argues that ‘it may not be entirely correct to understand dictatorship as a system reviled by the people, although dictators and their actions certainly may be. Dictatorship is merely the capstone on a political pyramid built on the patron-client system (Cusano 1999: 3). See also Matthews’ discussion of political culture (Matthews 1998: 11-12).
Coup, as he terms it, was the ‘reassertion’ of the state, as the state restructured state-society relations to gain control over civil society (ibid.: Chapter Five).

These varying interpretations are caught up in the politicisation of modern Burmese history by current political actors, who have mythologised the democratic experience as either a golden era cut short, or a chaotic and dangerous time. As Callahan (1998b: 57) notes, ‘interpretations of the 1950s are often the stone on which different political views of contemporary politics are engraved’. However, although the differences between AFPFL government and military rule are undeniable, another way to perceive the Burmese state from 1948 to 1988 is with strong elements of continuity due to the common roots of the political leadership, who shared experience of colonial rule. The undeniably important difference lay in the extremity to which these principles were applied.75

The state since independence has been a variation on an ideological form that values a strong and penetrative state. Although this particular ideology was in a process of gradual moderation under U Nu’s regime, the military regimes have prioritised security above all else, turning it into an ideology in its own right, combined with the desire to enact a transformation of society. Yet the aspirations of the political leaders were not always successful, as resistance manifested itself in the form of long-term insurgency, periodic explosions of mass opposition to the state, or everyday resistance that contributed to breaking down state capacity. Badgley (1989: 74) argues:

To foster belief in the state, an idea central to socialism, as a solution to mankind’s problems was to require greater skill in transforming Burmese society than either U Nu’s AFPFL or U Ne Win’s BSPP could muster….Functionally, what happened during these decades of socialist governance, was the evolution of “The Burmese Way to Capitalism”. The vast majority of the populace never relinquished their traditional free-enterprise behaviour, and found the principles espoused in the BSPP philosophy irrelevant, merely paying them lip service before the officials of the party.

The failure of the economy in the mid-1980s, when real GDP declined almost 20 per cent between 1985-86 and 1988-89 (UN Working Group 1998: 24),

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75 Callahan also notes the presence of an ‘institutional intolerance for dissent’, which she argues applies to the NLD as well as the military regime (Callahan 1998a: 6).
also revealed the emptiness of the political system. In 1987, the economic bankruptcy of the state led to Burma being granted LDC status by the United Nations. The unresolved issues facing the state had proved a consistent obstacle to the economic and social development of the state. Tin Maung Maung Than (1999: 27) points out that the development strategy between 1948 and 1988 was dominated by the policy of import-substitution industrialisation, which represented an attempt to ‘mimic a developmental state without adequate institutional and financial resources’.

Chao-Tzang Yawnghwe (1995: 178-179) argues that since 1948 the legitimacy of the nation-state and government has been continuously contested, as evidenced by rebellions, civil war, and urban protests. This culminated in the delegitimizing protests of 1988 (ibid.: 188).

The economic bankruptcy of the state spurred an attempt to break with the past, first by the broad cross-section of society that participated in the 1988 demonstrations, and subsequently by the military, which abandoned the institution and socialist ideology that had been its basis of power for 26 years. Blame for the failure of socialism was placed on an image of the BSPP that was separated from its military background, and military rule was renewed and reconstituted.

Over ten years later, one of the senior officials of the BSPP government wrote in his memoirs that the failure of socialism was mostly due to the government’s ‘sins of omission’, where a collective lack of moral courage caused people to pretend there was nothing wrong with the system (Maung Maung 1999: 134). As a result, he wrote, ‘we had started to equate lethargy and lack of change with stability: speeches and motions with progress; excuses with reason; and manipulated statistics with real facts’ (ibid.: 1). Although in a context intended to highlight the achievements of SLORC, Dr Maung Maung’s critique of the socialist government would equally apply to the faults of the current regime, and indicates that the catastrophic events of 1988, and the

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76 See Tin Maung Maung Than (1999) for further analysis of why the development strategy of the BSPP failed, and why the government did not implement economic reform until it was too late.
political, economic and social changes they triggered, are firmly rooted in the past.

**The State under SLORC/SPDC: new strategies of nation-building**

Much of the analysis of the SLORC regime, and then the SPDC after it, has focused on the elements of continuity between regimes. With each change of government under military rule, the military regime is perceived to have reinvented itself, in a thinly veiled attempt to distance itself from the atrocities and mismanagement of its previous incarnation. This is accurate to some extent, especially in light of the blame the current leadership places on the BSPP for the economic mismanagement of the country (as evidenced by Dr Maung Maung’s biography). However, the turmoil of 1988 left a huge impact on the psyche of the country. It was a ‘total event’, as described by Frank N. Pieke (1995: 70) in relation to the 1989 Chinese people’s movement, something that imposed its interpretive frame on the whole of society....Instead of the normal dialectic between event and context, a total event creates its own context from its environment and determines the meaning and significance of all other events. The dominance of a total event also entails that there is no escaping from it. Nonparticipation and neutrality have ceased to be a legitimate option. All social actors are forced into the arena, while all fundamental problems and conflicts in society are expressed in terms of the interpretive frame of the total event.

What the events of 1988 meant to the military elite was that things could never be the same. That was obvious to all from the moment in July 1988 when U Ne Win took the unexpected action of resigning as chairman of the BSPP and proposed multiparty elections. However, what did not change was the conviction of the military elite that it had the duty and the right to shape the state. The SLORC clearly defined itself as the guardian of the state. What had changed was that even more than before, the regime was preoccupied with legitimating its role in politics, in order to carry out its guardian duties (Tin Maung Maung Than 1998: 399). I.P Khosla (1998: 1639-1640) argues that the

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77 Taylor (1998a: 39) argues that the military’s view of their right to rule is shaped by political development during years of isolation, which retained the dominance of ‘traditional’ political values. This contrasts with the ‘modern’ political values being advocated by the NLD.
military regime adopted ‘an experimental and pragmatic mix’ to pursue its aims of state cohesion and institutional legitimacy.

Many people, hoping that their desire for genuine change had been realised, were disappointed by the brevity of political liberalisation. With the suppression of political activism, SLORC’s refusal to honour the results of the 1990 election,78 and the lack of anticipated liberalisation following Aung San Suu Kyi’s release from almost six years of house arrest in 1995, central political events appeared to be characterised by long-term stasis. As long-time observer, Robert H. Taylor (2001a: 2), recently wrote: ‘Ne Win’s resignation symbolized the end of an era, but not necessarily the birth of a fundamentally new situation’; he also noted ‘the absence of significant change in the Burmese economy and society in the decade since 1988’ (ibid.: 6).

While attention focused on thwarted political change and the slow pace of economic reform, the various measures that the new military government undertook to consolidate its power were not acknowledged by many observers to be as much of a break with the past as they have evolved to be.79 Although the SLORC may have started as merely a reconfiguration of the previous state leadership, the steps taken to consolidate and strengthen the military’s power and security agenda led to a process of incremental change that has made

According to Taylor, ‘[w]hile the political understanding of Aung San Suu Kyi was shaped by years of living first under Indian and then British democracy, which she assumes to be the norms of life, the military has been conditioned by education and career experiences to reject such values as not only foreign, but actually subversive of the nation it pledged to defend’. This is no doubt true of the military elite, but the enormous popularity of Aung San Suu Kyi clearly indicates that the majority of the population favours the political values she advocates. Steinberg (1998: 194) and Houtman (1999) also make the point that the SPDC and NLD are advocating a conflicting cultural basis for political structure. Silverstein makes the point that Burmese political culture is plural and changing. He argues ‘[i]t is an amalgam of ideas and values drawn from Buddhist and non-Buddhist sources that reflect changes resulting from colonialism, war, and exposure to the outside world. The gap between the Burmans and the non-Burmans began closing in 1945, but neither was able to adjust and adapt their responses to the other; as a result, Burma’s political culture remained plural and, in some cases, antagonistic as some leaders looked for ways to transcend differences and others to institutionalise them’ (Silverstein 1998b: 12).

78 Placing this in a historical context, Taylor (1996: 182-183) argues that ‘[s]ince the 1920s, the rulers of Burma/Myanmar, whether British or Burmese, whether civilian or military, have proffered elections as the solution to political problems of the Burmese people.…Elections have been held out as a panacea, but when the results, or expected results, have not been what those who offered the ballot sought, those in power have had no qualms about setting aside the outcome’.
SLORC/SPDC’s style and methods of rule different from its predecessor’s. As a result, in the context of long-term military rule, the governance by SLORC/SPDC after 1988 has altered key aspects of Myanmar’s state and society. Of course, it is probable that the SLORC/SPDC did not anticipate many of the new characteristics of society that have emerged as a result of its rule. Most of the major changes in policy were not part of a coordinated, long-term plan, but arose from the *ad hoc* and reactionary policy-making that has characterised military governance. The state, and therefore the military elite, was facing not only the loss of legitimacy but also the rise of large-scale opposition and credible alternatives to its rule.

Two fundamental policy shifts occurred. First, an abandonment of ‘the Burmese Way to Socialism’ was initiated by the BSPP in 1987, and accelerated when SLORC came to power. This was an abandonment of the socialist ideology that had been the defining feature of the nation-state since the nationalist movement, necessary because its implementation had eroded the strength and capacity of the state. The economic system was abruptly changed to market-capitalism, retaining the elements of centralisation and state monopoly in key sectors, while encouraging privatisation and ‘community contributions’ for responsibilities of the state that SLORC did not consider as directly contributing to the strength of the state. The governance of non-producing sectors became characterised by centralised control of all aspects of policy and implementation, combined with financial self-sufficiency. In order to compensate for the lack of public funding, many functions of the government below the national level were directed to be self-supporting. This is simultaneously a consequence of and contributing cause to state incapacity. This more restricted role of the government led to the deterioration of services,

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79 One exception is Martin Smith (2001: 15: 15), who describes politics after 1988 as having ‘entered a period of new and uncertain volatility in only the third major era of political transition in the country since 1988’.

80 Smith (2001: 20) cites private statements of senior military officials that the post-1988 government was not following a long-term plan, but merely reacting to the volatile political context.

81 The withdrawal of the state from direct intervention in the economy is reflected in the decline in public expenditure, which fell from 62 per cent of GDP in 1985-86 to 27 per cent in 1995-96 (UN Working Group 1998: 29).
notably in public health and education. As one former INGO worker said of the public health sector, ‘they just let it die’ (interview 6, Yangon: February 2000).

The initial reforms involved considerable changes in the state’s role in the economy, as will be detailed below; however the momentum of reform did not last more than a few years. As it became apparent to the military elite that the SLORC would not be easily transformed into a more legitimate form of government, reform became more conservative and \textit{ad hoc}. Since then, various political crises have led to retraction of many economic reforms, as the SLORC/SPDC fears it has ceded too much control over economic matters (see below). In this regard, the economic management of the state leadership is the same as their predecessors’; as Steinberg (1997b: 161) has pointed out, economic considerations are always subordinated to political or, more specifically, security, issues. State intervention in the economy, he argues, ‘has been more pervasive and profound than in many other states, and has effectively vitiated many of the professed economic reforms that the ruling regimes have sought to initiate’ (\textit{ibid.}).

The real impact of the economic reforms, however, has been to change elite power and patronage structures, as new opportunities have created a small class of ostentatiously rich people and even more impoverished poor people.\footnote{World Vision (1996: 3) estimates that approximately one per cent of the population can be classified as very rich. For the rest, the average annual income per capita is US$216. This breaks down to about US$192 for the rural population and US$288 for the urban poor.} Although there is no data on income distribution in the country, it is assumed that the gap between rich and poor has grown significantly during the economic transition (Steinberg 2001b: 46).\footnote{National income per capita was below or just equal to the levels of 1985/86 in the early and mid 1990s; by that stage the population had increased by 4.5 million (Myat Thein and Mya Than 1995: 238).} The urban consumer boom, most obvious in the physical transformation of Yangon, is mostly enjoyed by the ‘dollar earners’ (Myat Thein and Mya Than 1995: 238), while the elite has embraced conspicuous consumption.\footnote{For example, see ‘The New Burmese Leisure Class: Army Capitalists’, \textit{The New York Times}, 21 November 2000.} Poorer urban dwellers have been...
hindered by huge consumer price increases, such the 800 per cent increase in the price of rice between 1988 and 1995 (Mya Maung 1997: 507).

In addition, the sudden flows of money that emerged from the opening of the economy, through legitimising economic activity that was formally illegal, especially border trade, plus the allocation of valuable concessions, has meant that the ability of the regime to coopt the support of key parts of the elite by financial reward is much greater. This is a manifestation of SLORC’s efforts to make the illegal economy work to its advantage, personally and politically (see below).

The second fundamental policy change implemented by SLORC was also an abandonment of a key feature of national identity. This was the longstanding foreign policy of neutrality, which had succeeded in insulating Myanmar from the Cold War but was abruptly discarded in 1988 for short-term political expediency (see Ott 1998; Silverstein 2001: 120-122). Again, this was due to SLORC’s perception that the integrity of the state was at risk. In the short-term, these new alliances paid off for the regime. The open-door policy, which legalised border trade and granted concessions to foreign firms to exploit the country’s natural resources, saved the government from bankruptcy, increasing foreign exchange reserves from under US$10 million in September 1988 to US$550 million two years later (Liang 1997: 79). More importantly, SLORC’s creation of political and economic alliances with China and other countries in the region gave it strong political and diplomatic support in the international community, when most Western countries were condemning its actions, as well as substantial ‘friendship loans’, debt relief and technical support. With this backing, the military was not only able to consolidate its

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85 For an analysis of foreign relations, see ICG (2001a: 10-33).
86 The open-door policy also represented a major change in the way the government managed the natural resources of the country. This is especially obvious in the forestry sector, as the granting of concession to foreign countries to extract teak has led to a change in the management of the forestry sector, which under socialism was still remarkably well managed. Under SLORC/SPDC rule, the rate of deforestation has more than doubled (Associated Press, 4 February 2001). See Bryant’s (1997) study of forestry between 1824 and 1994.
87 See Selth (1995: 3-8; 2000), Liang (1997: 80-86), Ashton (1998a) and Jannuzi (1998: 197-203). However, there are doubts as to how much this is to SLORC’s benefit in long run. In particular, there has been debate over whether Myanmar is becoming a satellite of China. For example, see Selth (1996a), Malik (1997b, a), Seekins (1997) and Merrill (1998). See also Silverstein (2001), for
political power, but also gained the means to upgrade and expand its military strength.\textsuperscript{88} Thus, since 1988, the military has been undergoing ‘an ambitious program of expansion and modernisation’ (Selth 2000: 52).\textsuperscript{89} The army has doubled in size since 1988, now consisting of over 400,000 personnel (approximately eight per cent of the population) (ICG 2000: 12). As William Ashton (1998b: 30) argues:

Taken together with the regime’s reorganisation of the Defence Ministry, and its improved command, control, communications and intelligence capabilities, the Tatmadaw is an entirely different organisation from that which existed before 1988. On paper at least, it has vastly improved capabilities, not only to put down civil disturbances and fight rural insurgent groups, but also to counter more conventional threats.\textsuperscript{90}

The combination of the stronger Tatmadaw, growing bilateral relationships with immediate neighbours (who had previously supported the insurgents), and ‘a common cord of war-weariness’ (Smith 2001: 32) meant that the SLORC achieved what its predecessors could not, in finally forcing many of the long-running insurgencies into ceasefire agreements (see Jannuzi 1998: 203-205).\textsuperscript{91} These agreements have had far-reaching ramifications, not only for the power structures in the periphery of the state, but in political and economic

\textsuperscript{88} Before 1988, although defence received the largest allocation of public expenditure, in absolute terms the defence budget was considerably lower than that of other Southeast Asian countries. Also, the emphasis on self-reliance constrained the military’s ability to acquire modern arms and equipment (Selth 1997a: 3). This constrained the operating capacity of the military, and its modernisation and expansion after 1988 was long overdue (Selth 2000: 56).

\textsuperscript{89} For detail, see Selth (1996c; 2000: 56-61). In addition, a key element of military modernisation has been the increase in the Tatmadaw’s SIGINT (signals intelligence) and electronic warfare (EW) capabilities. According to Desmond Ball (1998: 36), this ‘provided the SLORC with a comprehensive ability to intercept the radio traffic of ethnic groups in the border areas as well as monitor telecommunications in Rangoon. The SLORC also obtained, for the first time, the ability to collect significant foreign signals intelligence, jam foreign signals and conduct limited EW operations’.

\textsuperscript{90} For information on the Tatmadaw under the socialist government, see Tin Maung Maung Than (1989).

\textsuperscript{91} For a list of organisations that had reached ceasefire agreements with the government, and those still fighting, see (ICG 2003).
organisation at the centre, as will be expanded on in Chapter Three. One result was that the unity of armed ethnic opposition, which had been developing in the National Development Front, was considerably weakened (Smith 1996b: 9). As a result, the struggle for control of the state, fought in the border areas, has been replaced by the struggle for control of the transitional process, which is played out in the capital (Smith 1999a).

In addition to subduing insurgent operations on the periphery, the regime has been able to increase its control by dramatically expanding the military presence in every township in the country, especially in the capital. Noted trouble spots, such as the road junction near Yangon University that has been the site of major student demonstrations, now have a permanent company of soldiers stationed nearby to ensure a quick response to political dissidence.

Military strength is accompanied by a pervasive surveillance network, operated by the Directorate of Defence Services Intelligence (DDSI). Popularly known as Military Intelligence, or MI, DDSI operates a large network of informants that monitors any threat to the regime. This ranges from political dissidents, foreigners and military personnel to anyone who catches the attention of the authorities. The result is an atmosphere of paranoia, which affects the activities, conversations and even thoughts of almost every person in the country. Skidmore (1998: 15) argues that ‘[i]t is almost impossible to live in Myanmar and not lose a certain perspective….Secretiveness, distrust, and bitterness is stamped, to some extent, upon everyone who lives under this totalitarian regime’.

According to Steinberg (2000: 97), the state has attempted to restrict the ‘social space’ between the state and the individual, through restrictions on information, movement, and speech, in a manner ‘reminiscent of traditional patterns of state authority’. This includes the inability of groups to exist autonomously from the government (ibid.: 113, see also Chapter Four). For

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93 However, Selth (1997b: 27) indicates that the capacity of DDSI is ‘more wide than deep’. He raises doubts not only of the DDSI’s ability to monitor the activities of the entire population, as well as activities outside the county, but also of its ability to accurately analyse the information gathered (ibid.).
example, through its monopoly on information, the regime tries to control the thoughts of the population. This is most obvious in the use of state-controlled media as a blatant propaganda tool.\textsuperscript{94} A thriving private publication industry exists, producing weekly and monthly journals, but it is subject to severe censorship. Because a journal with an article that has been censored must be reprinted to appear complete, publishers are forced into a process of self-censorship that second-guesses what might be acceptable to both the censorship board and the reading public (Irrawaddy Publishing Group 2001). This information-vacuum distorts society, affecting the world-view of the ruling elite and the masses. Rumours are produced at an astounding rate, but even high-ranking government officials do not really know what is going on in the country.\textsuperscript{95}

In many ways, the change in foreign policy could have a greater long-term impact than the economic reforms (although the two policies are closely linked). The extensive Chinese influence on the country, to the extent of economically dominating northern Myanmar and turning Mandalay into a culturally and economically ‘Chinese’ city, has already created a new version of the plural society that characterised colonial rule (see Mya Maung 1994). This is ironic, considering that the economic dominance of ‘foreigners’ was a major target of the nationalist movement against the British.

A more positive aspect has been the inclusion of Myanmar in regional organisations, especially the Association of South East Asian Nations (ASEAN), which Myanmar joined in 1997 (although the ability of other members of the

\textsuperscript{94} However, parts of the regime seem to be aware that a more subtle approach is necessary to get their message across. This seems to be the rationale behind the decision to allow \textit{The Myanmar Times} to begin publishing in 2000. Although this newspaper has been criticised for toeing the government line, it prints much more newsworthy information that \textit{The New Light of Myanmar}, attempting to push the boundaries every so often. A senior officer of the Office of Strategic Studies has been quoted as saying \textit{The New Light of Myanmar} does not reflect the policies of the OSS, or the opinion of Khin Nyunt. Instead, he said, ‘if you want to know our position, look at our website, or The Myanmar Times’ (cited in The BurmaNet News, issue #1726, 3 February 2001).

\textsuperscript{95} Many people in the country listen to Myanmar-language programs broadcast by the BBC, Democratic Voice of Burma and Radio Free America. However, an ICG report argues that it is actually only a minority that listen to these illegal reports regularly, partly because of the danger of imprisonment if caught, and because ‘[m]any also feel that it is pointless to listen unless dramatic events occur that might change the political situation’ (ICG 2001b: 20).
organisation to influence economic and bureaucratic reform appears negligible). While SLORC/SPDC continues to prioritise domestic politics, this has had the minor, but not insignificant, impact of drawing the state into international forums, and opening it up to influence from the leadership of the other member states. The influence of former Indonesian President Soeharto is credited for the internal restructuring in the regime and image change when SLORC was reorganised into SPDC in 1997, while the Malaysian Prime Minister Mahathir is considered a key figure in persuading SPDC to reopen dialogue with the NLD in 2000. Maung Aung Myoe (2002) also attributes pressure from the Chinese President, Jiang Zemin, to influencing the decision of the government to implement political reform, and says that ‘it seems the Myanmar government no longer wants itself to be a continuing embarrassment to ASEAN’. The military elite’s concern with the international notoriety that it gained after the 1988 coup, as well as increasing dependence of external economic sources, means that in lesser matters it attempts to fall in line with international norms, such as following many of the United Nations’ policy initiatives in various sectors.

Another significant change in the state has been in the turnover in state personnel, the largest since the end of colonialism. The country has experienced several different types of government since independence, from parliamentary democracy to military dictatorship to one-party socialist rule. But these have had a certain continuity, characterised by left-wing ideologies, neutral foreign policies and the same generation of leaders and bureaucrats under each government. The state under SLORC, however, featured a new generation of leadership that did not participate either in the formative experiences of World War II when the military was formed, or the huge challenges to the state by insurgency just after independence (Taylor 1998b: 8).

Many top-level officials, who began their careers under the colonial state or just

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96 See Steinberg (1998: 180-184) and Silverstein (2001: 128-131). For the economic implications of ASEAN membership, see Mya Than (2000: 155-160). Myanmar has committed to the ASEAN Free Trade Area, and joined other regional organisations such as Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation Group (BIMSTEC) and the Mekong economic quadrangle.
after independence, have reached retirement age. Further, 15,000 civil servants were fired in 1988 for holding pro-democracy sentiments, and many more were dismissed or disciplined for corruption and opposition to government policies in 1991 (Steinberg 1997b: 169).97 The purge of the bureaucracy, once again, reinforced the institutional weakness of the state.

A related factor has been a substantive decrease in civil service salaries. Under the socialist system, most of the workforce was employed by the state and earned much the same amount, which was adequate for subsistence. There was no significant private sector to drain manpower. Since 1988, however, civil service real salaries have been considerably depreciated by inflation. Although salaries were doubled in 1989, and increased 500 percent in 2000, they are not remotely adequate to live on. The only way the regime was able to fund the pay-rise was through an increase in the money supply, which cancelled out the benefits of the increase by causing a parallel rise in the consumer price index and currency depreciation (Mya Than 2000: 144). Before the 2000 pay-rise, civil service salaries ranged from kyat (Kt) 600 per month for a newly appointed worker at the lowest level, to Kt2500 per month for a director-general. The maximum a senior clerical officer could earn was Kt1200 per month (ibid.: 146). This was well below comparable private sector salaries (ibid.), and barely adequate to cover the cost of essential foods. Even when the salaries went up in 2000, there was a growing climate of economic desperation as prices for basic goods rose rapidly. The dramatic depreciation of the kyat made imported goods much more inaccessible, and anecdotal evidence suggested rising urban crime levels.

The inadequacy of remuneration is also indicated by the overall decline of personnel expenditures as a percentage of central government expenditures from 3.7 per cent in 1990/91 to 1.2 per cent in 1995/96, even though the number

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97 As of 1991, the total size of the civil service was 1,130,981 persons, of whom 57.9 per cent were from the ministries, and 42.9 per cent from the State Economic Enterprises that were formed during the socialist era, most of which are still operating (de Weerd 1992: 71). At the time, this accounted for almost 3 per cent of the population (ibid.: 72). These numbers represented the officially sanctioned posts. However, only 88.7 per cent of these positions were actually filled (ibid.: 73).
of central government employees rose from 550,000 to an estimated 587,000 over this period (US Embassy Rangoon 1997: 36).

To compensate for this, as under earlier governments, civil servants are given privileged access to some goods and services. In addition to access to subsidised prices for fuel, rice and cooking oil, hospital care is supposed to be provided free (de Weerd 1992: 11), and civil servants are provided with low-rent housing, the occasional allocation of land plots, and permits for coveted items such as mobile phones (extremely lucrative on the black market). Nevertheless, the bureaucracy is now one of the worst paid sectors, apart from casual labouring, and all civil servants must find a way to supplement their salaries. Possibly without exception, civil servants can survive only through extensive corruption, or second jobs (Khin Maung Kyi 1994: 212). For public sector doctors this generally means spending a few hours a day in their government job, and the rest in private practice (interview 7, Yangon: March 2000). Most public sector teachers supplement their government salary through private tutoring. To pass their course, students have no choice but to pay for extra tuition outside of school hours, often with the same teacher covering the same lessons.

There has also been a huge increase in corruption in the bureaucracy, both petty and large-scale, since the end of the socialist era. Prior to 1988, although corruption was widespread, all but the smallest transgressions were severely repressed by the state (interview 66, Yangon: September 2000). However, when the economy was reoriented from a centrally-planned socialist economy towards a more open, market-oriented one, the opportunities for corruption became much greater, at the same time as the regime was ignoring such things in order to appease political opposition to their rule. Corruption may take the form of graft, extortion, or the sale of privileges and concessions. For example, permits to import new cars are very valuable. Those who are able to obtain an allocation of these permits, usually senior bureaucrats, Union

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98 For example, like all civil servants, teachers receive subsidised rice, cooking oil and soap. However, this is subject to availability through the government employee’s cooperative, and the commodities are more easily accessed in urban areas (Evans and Rorris 1994: 23).
Solidarity and Development Association (USDA) members (see below) and well-connected businesses can sell them for around Kt200,000 (about US$500 in December 2000). The same applies to mobile phone permits, and petrol that is allocated at highly subsidised prices and can be sold on the black market for a large profit (interview 17, Yangon: March 2000; interview 43, Yangon: July 2000). In addition to the effect this has on capacity and efficiency, it has also increased the out-of-pocket expense for people who come into contact with the bureaucracy.

Both the regime and society have reacted to the austerity of the socialist era, where any displays of wealth, frivolity or even bright colours were considered anti-socialist (interview 70, Yangon: October 2000), by turning to ostentation. In just a few years, Yangon has undergone a physical transformation into a modern-style city, and is dominated by a class of new rich that flaunts their wealth with imported sports cars and expensive bars and restaurants, and immunity from the usual norms of society. The association of modernity with anything that is bright and shiny is poured into religion, as everyone from the generals to the poorest peasants desire to see religious monuments become bigger and brighter. According to Skidmore (1998: 166), ‘parts of Myanmar now resemble a vast Burmese wonderland, a simulacrum of modernity cobbling together an array of consumerist-Buddhist-kitsch, like the temples of Bagan lit up with fairy lights’.

Overall, most people would not be able to say that life is better under SLORC/SPDC than under the BSPP. For some who have prospered from the legalisation of the private sphere, no doubt it is. But all would agree that life is

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99 However, while this is widely tolerated, there are periodic purges against excessively corrupt ministers and businessmen. This is partly because of the leadership’s distaste for individuals that excessively and openly abuse their privileges, but usually seems to have political connotations as well. For example, after Ne Win’s son-in-law and grandsons were arrested for plotting a coup, a government press conference cited their corrupt business dealings, such as the illegal import of motor vehicles, and unauthorised sales of mobile phones (Maung Aung Myoe 1999b: 2-3).

100 For more detail, see Mya Maung (1998: 115-118).

101 For example, a high school student from the Mon state estimates that about 80 per cent of students pay bribe money to teachers in order to pass exams. He said that those who cannot pay are often marked down unfairly (Karen Human Rights Group 1996a: 3). See also Fink (2001: 178-179).
different. The socialist state attempted to dominate every aspect of people’s lives, while the current regime is mostly content with general acquiescence. As a retired bureaucrat said, ‘under socialism everything was repressed, now it is only politics’ (interview 66, Yangon: September 2000).

In many of these developments, the importance of the changes should not be underestimated. While there remains much continuity, the current regime has a greater influence on the state than its predecessors had, and the difference in the way it relates to society is subtle but important. However, the fundamental political and developmental problems remain much the same, as does the inability of the regime to resolve them. The military regime changed policy direction, haphazardly introducing a new focus for the state. However, the change in ideology is in many ways superficial; the military still prioritise its security agenda above all else, and this perpetuates the long-standing systemic problems of the state. Thus, despite the change in style and focus of the regime, the state under SLORC/SPDC is still characterised overwhelmingly by stagnation.

The Shape of the Official Economy

The Myanmar state is currently in economic transition. The economic reforms opened up trade, foreign investment, banking and private business activities. They also paved the way for denationalisation of State Economic Enterprises (SEEs). The economy, which had gone into major decline in the mid-1980s, quickly went into positive growth. In the early 1990s, GDP growth averaged 8 per cent (World Bank 2000: 1).

From 1989/90 to 1991/1992, the economy was subject to annual plans. This was followed by a short-term plan from 1992/93 to 1995/96, aimed at pursuing growth through an export drive, with particular emphasis on the development of the agriculture, livestock and fishery sectors (Myanmar Ministry of National Planning and Economic Development 1996a: 33). The Five

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Examining the Myanmar State

Year Plan covering 1996/97 to 2000/21 aimed to increase the stated average annual growth of 8.8 per cent by diversifying the economy through a broadening of the industrial base (Myanmar Ministry of National Planning and Economic Development 1996b: 2). However, at the time this plan was to be implemented, the momentum of growth bottomed out. Therefore, true to the SPDC’s emphasis on self-sufficiency of food production to maintain stability, the 2001/01-2005/06 Five Year Economic Plan contains no policy initiatives, reiterating the priorities of developing the agricultural and energy sectors (EIU 2001: 8).

Figure 2.4: Real GDP Growth

By 1997, when the Asian financial crisis hit the region, it was quite apparent that the boom was over. By 1998/99, growth had declined for four consecutive years (IMF 1999: 8). This was not because Myanmar was drawn directly into the crisis, but because fundamental macro-economic restructuring had not followed up the initial reforms. Also, agricultural growth declined, as did the share of the private sector in the economy and foreign direct investment (FDI) (Mya Than 2000: 143, 153).\(^{103}\) Generally, it is acknowledged by all but the

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\(^{103}\) In 1998, investment by ASEAN countries, which accounted for 60 per cent of Myanmar’s FDI, declined by 70 per cent (Mya Than 2000: 153).
SPDC that fundamental macro-economic reforms must be implemented before the decades of economic mismanagement can begin to be overcome. The economy is still dominated by central planning and import substitution (EIU 2002b: 2). A multiple exchange rate system, which favours government enterprises, serves to distort resource allocation and discourages private sector development (IMF 1995: 26). Macroeconomic instability is perpetuated by consistently poor economic indicators; in 1998, foreign reserves were estimated at US$400 million, only 1.8 months worth of imports, outstanding debt was $5.6 million, and weak export performance widened the current account and trade deficits (Asian Development Bank 2000).

It is reported that fiscal deficits are funded by automatic increases in money supply by the Central Bank, which fuels domestic inflation and economic instability (Poverty Reduction and Economic Management Unit 1999: v).

With an average of 20 per cent consumer price inflation in 2001 (EIU 2002b: 5), the state of the economy continues to contribute to poverty.

In 2000, the government announced an improbable 10.9 per cent GDP growth in the 1999/2000 financial year. The deputy minister for National Planning and Economic Development said in a speech that the figure was inflated because it was based solely on production figures, excluding considerations of expenditure and income. Furthermore, he said,

we included in our calculations agriculture previously produced from farmlands in reserved forest land which was not part of the computation before, we included as industrial production rice produced from manually operated threshers, and we even added coconut production (Brigadier General Zaw Tun 7 July 2000).

105 The instability of the economic system, particularly its regulatory capacities, was demonstrated by the banking crisis in February and March 2003. See detailed commentary by Turnell and Vicary (2003).
106 For detail, see EAAU (1997: 115-129).
107 Despite initial doubts as to the verity of the government figures, the Economist Intelligence Unit subsequently incorporated the government’s official figures for 1999/2000 into its calculations of real GDP growth (EIU 2002b: 4). However, the Asian Development Outlook (Asian Development Bank 2000: 1) put real growth in 1999 at 4.5 per cent. The surge in GDP could be accounted for by the good rice harvest in that year. Myat Thein and Mya Than point out that large fluctuations in GDP growth are not unusual in an economy dependent on agriculture and weather (Myat Thein and Mya Than 1995: 236).
108 Mya Maung (1998: 83) argues that the exaggeration of the government’s GDP growth rates is due to underestimation of the inflation rate.
The deputy minister was fired shortly after (though he was well connected enough to avoid being jailed).

Although the *Law of Establishment of Socialist Economic System* (1965) was revoked in 1989, in many ways the state has retained a command economy. The government retained export monopolies on 16 high-earning items, including rice, teak, gems and petroleum, when the economy was opened up in 1988; this was gradually increased in 1991 and 1994 (Mya Maung 1997: 504). In 1998, in response to the regional economic crisis, the list of items prohibited from export by the private sector was extended to 30 items (IMF 1995: 29). In addition, the import of certain consumer goods was banned, tariffs on border trade were raised, and a 5 per cent export tax was applied on those items that were not affected by the bans (Mya Than 2000: 151-152).

Even when the economy was opened up, the government found that ceding control of the vital state sectors to private enterprise was against its interest. For example, rice production and domestic trade was liberalised between 1987 and 1989, but the government reimposed control when rice exports and urban rice supplies declined (Thawnghmung 2001: 233). Likewise, the highly lucrative legal border trade suffers whenever Thai-Myanmar relations sour.

The SEEs are still a major source of state employment, and a major drain on the state budget. While the post-1988 reforms ostensibly gave the SEEs more autonomy, they are still run in the manner of central planning. Although government policy advocates privatisation, most of the large-scale enterprises remain state-owned. There is some doubt as to the desire of private investors to take over the highly inefficiently operations (Cook and Minogue 1997: 192; Steinberg 1997b: 165), and Steinberg (2001b: 46) argues that ministries are reluctant to let go of these enterprises, which dominate economic activity.

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109 This is in the legal economy. Although the state managed to draw some of the illegal trade in teak and gems into its sphere, a large proportion of these valuable resources are still exported illegally.

110 On the issue of privatisation, see also Myat Thein and Mya Than (1995: 224-227).

111 Ten years after the economic transition began, the SEEs still account for 91 per cent of large-scale enterprises (those with over 100 employees), 40 per cent of tax revenues, 50 per cent of exports and 40 per cent of imports (Steinberg 2001b: 46).
The result is that the majority of SEEs, although highly subsidised by the government, have a rising deficit (Mya Maung 1998: 103). Most operate at one-quarter of productive capacity (Steinberg 1997b: 165). Overall, the SEEs are hindered by lack of foreign exchange and power supply (Myat Thein and Mya Than 1995: 220-222).

Nevertheless, the government has given the majority of credit and business licenses to ministries and SEEs, over private investors. For this reason, foreign investors choose their joint-venture partners from the government, rather than private companies (Fairclough 1996: 63). However, this may be gradually changing, especially if government figures reflect the true situation. The Central Statistical Organisation claimed that the private sector accounted for over 76.8 per cent of imports in 2000, and 68.5 per cent of exports (Xinhua, 20 June 2001). However, the increase in private sector participation over the 1990s has been concentrated in the trade sector, with only marginal increase in the goods and services sector (Myat Thein 1999: 6).

The government continues to add disincentives for private entrepreneurs to pursue business opportunities. In addition to the 1998 restrictions on exports of certain key commodities, and requirement that essential items are imported before businesses can import non-essential items, in September 2000 importers were restricted to importing one million kyat per month. In July 2001, the government rescinded the regulation allowing export businesses to buy excess export allowance from other companies, supposedly to support self-sufficiency (see Burmanet News 10 July 2001). Also, in March 2002, import and export permits of foreign trading companies were suspended indefinitely, in order to favour domestic firms (The Bangkok Post, 8 April 2002). In addition, the capricious legal system does not enable investors to enforce contracts and property rights (Myat Thein and Mya Than 1995: 231).112 The results of such disincentives, according to Myet Thein (1999: 5), is a lack of domestic savings and investment, which is one of the main reasons Myanmar lacks economic

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112 In addition, the closure of universities throughout most of the 1990s has meant many private sector firms are unable to find adequate skilled labour (Poverty Reduction and Economic Management Unit 1999: 123).
fundamentals for sustained growth. The population has little faith in the
government and its economic policy, being used to its unpredictability, which
makes simple business transactions such as currency exchange or gold trading
cause for arrest.\footnote{For example, when the kyat depreciated to 1000 to the US dollar in April 2002, gold and
currency traders were arrested to cut down on currency speculation (\textit{Agence France Presse}, 24
April 2000).} At the same time, high levels of inflation (an average of 23 or
24 per cent annually) and low income (\textit{ibid.}: 15-18), and interest rates below
inflation rates, have provided a disincentive for saving (see EIU 2003b: 5-6).

Economic policy also creates considerable obstacles for foreign investors.
Government policy is unpredictable, and domestic demand is weak, while a
number of consumer boycotts have forced high-profile investors to withdraw
from the country (EIU 2001: 19). This is has been reflected in low levels of
foreign investment. Although US$6.1 billion of FDI had been approved by
February 1997, only US$946 million had actually been realised (Dapice 1998b:
158).\footnote{For an examination of FDI in Myanmar, see Mason (1998) and McCarthy (1999).} The danger of investing in a politically unstable country was
demonstrated by the government’s illegal nationalisation of the successful
Mandalay Brewery in 1998, which had been a joint-venture investment between
a Singapore company and the Ministry of Industry 1 (Crispin and Lintner 1998:
28).\footnote{The owner of the Singapore company opines that ‘[w]e fell on the wrong side of the power
struggle and as a result lost our business. Unfortunately in Burma that’s what matters –
political connections, not law’ (Crispin and Lintner 1998: 28).}

The high degree of central control over the economy is also apparent in
agricultural policy. Agriculture, based primarily on rice and pulses, remains
the largest sector in the Myanmar economy (reflecting the failure of successive
industrialisation program). Consequently, the performance of agriculture is
inextricably linked to economic performance and social stability. Over the
period of military rule, agricultural output has increased relative to
construction, manufacturing and trade. It grew from 22.7 per cent of GDP in
1961 to 46.6 per cent in 1987 (Joint UNIDO/CRC Mission c.1990: 7), in a period
when the emphasis of economic development was on rapid industrialisation.
In 1998 it accounted for 58.4 per cent of GDP (EIU 2001: 5), and 64 per cent of
employment (EAAU 1997: 118), while industry made up 9.8 per cent, manufacturing 6.9 per cent, and services 31.8 per cent of GDP (EIU 2001: 5).

The initial liberalisation of the agricultural sector in the late 1980s spurred growth, but this did not last more than a few years. The contribution of agriculture to real GDP growth dropped from an average of 3 per cent in 1992/93-1995/96 to only 1 per cent in 1996/97-1998/99 (IMF 1999: 9). This decline was due to a mixture of bad weather, limited availability of fertilizer due to shortages of foreign exchange, the continuing ban on private sector exports of rice, and the continuing state rice procurement system (IMF 1995: 10).

For most of the period of military rule, rice production has been controlled by the state rice procurement program, which obliges farmers to sell a percentage of their harvest to the government below market prices. The point of the rice procurement system is to enable the government to control consumer prices and supply. This system of subsidisation, which disadvantages the producer, also applies to electricity and other sectors. The main beneficiaries are civil servants (Myat Thein and Mya Than 1995: 219-220). The system was initiated in the early 1960s. Since 1988 the amount of state intervention in rice production has declined. The quota of rice taken by the state procurement system was reduced from 50 baskets per acre to 12, and the amount paid for this rice was increased (Thawnghmung 2001: 234). To increase yields, the state has strongly encouraged the increase of land under cultivation, through multiple cropping practices and expanded irrigation. However, the state procurement price for paddy is as much as three times lower than the price paid on the private market (Mya Maung 1998: 120). The government attempted to eliminate the procurement system for a second time in 1997, replacing it with

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116 However, the quota of paddy collected by the government varies according to the type of farm. For those growing traditional varieties of paddy, as opposed to high yield variety paddy (HYV), the quota is five baskets (Mya Maung 1998: 119). In some regions, the quota is as high as 20 baskets (EIU 2001: 23).

117 Some farmers have benefited from the cultivation of an extra crop during the dry season. It has increased annual paddy production, and raised the living standards of many farmers, who do not have to give a quota of paddy to the government from the dry season crop. However, because the policy has been enforced without consideration for variations in the climate, farmers whose land is unsuitable for the cultivation of an extra crop have been made worse off (Thawnghmung 2001: 88). Further, only 20 per cent of land is irrigated, but irrigation is
a competitive tender process, but the state was consistently out-bid by private traders, and reimposed state rice procurement in 1998 (Thawnghmung 2001: 235). Meanwhile, the production of beans and pulses, which are no longer controlled by government monopoly, grew to account for 16 per cent of total exports (IMF 1999: 10). The success of these crops reflects the capacity of the private sector to grow into whatever space is ceded by the state. But in the last few years, the government backtracked on the freedom of farmers to choose which crops they cultivate after only a few years, insisting on rice cultivation in preference to other crops (Thawnghmung 2001: 236-237).

As of April 2003, the government has once again attempted to cease state procurement of rice, by giving farmers the permission to participate freely in domestic rice trade, and banning monopolisation of the rice trade. However, given the regime’s record of economic reform, economic analysts are doubtful as to how successfully this policy will be implemented (EIU 2003b; Min Htet Myat 2003), especially as rice for export will be centrally controlled through the Myanmar Rice Trading Leading Committee (see Narinjara News, in BurmaNet News 12 June 2003).

Thus, despite experimentation with policy, many farmers are disadvantaged by the government’s agricultural policy. No doubt, the inability of farmers to decide what is best for their land has contributed to the lack of growth in agricultural yields. In 1995-96, 20 million of the 26 million acres used to cultivate food crops had yields that were stagnant or had been declining over the past decade (Dennis 1999: 6). A lack of sufficient agricultural credit is another major hindrance to growth in this sector (see Dapice 1998a: 3-8).

Farmers are also disadvantaged by a land reclamation policy, which aimed to take advantage of fallow and uncultivated land by giving private businesses incentives to develop this land, such as tax exemption, subsidised fuel and exclusion from the state rice procurement program. By 1998, 76 companies had claimed 1.2 million hectares under this policy (Thawnghmung concentrated on large-scale corporate farms (Poverty Reduction and Economic Management Unit 1999: vi)).
2001: 89). However, not only are these highly subsidised projects uneconomical, but they have increased the landlessness of poor farmers whose holdings were classified as fallow, and given to urban businessmen (ibid.).\textsuperscript{118}

Decline in growth since 1998/98 has also applied to the livestock and fisheries, energy, manufacturing, forestry, power and construction sectors. A foreign economist has described the Myanmar economy as ‘only firing on a few cylinders’ (interview 65, Yangon: September 2000). The only successful sectors are energy and mining, where a few large-scale investors have ignored the economic sanctions applied by their countries against Myanmar in order to exploit vast natural resources.\textsuperscript{119} The direct monetary benefit to the government of these investments has meant many of the hindrances that catch out smaller-scale investors are removed by high-level support.

However, the irony is that the gas is produced for export to Thailand, instead of for the great domestic and industrial needs of the country. This is a major constraint on the development of industry in Myanmar, as factories can only be run through the costly use of power generators.\textsuperscript{120} Myanmar is

\textsuperscript{118} For more detail on government intervention in the agricultural sector, see IMF (1995: 35-42).
\textsuperscript{119} Energy has developed as a major source of direct foreign investment and foreign exchange for the state due to the discovery and development of the Yandana and Yetagun gas fields in the Andaman Sea. Yandana was developed by a consortium consisting of UNOCOL (United States), TotalFinaElf (France), Petroleum Authority of Thailand (PTT) and the Myanmar Oil and Gas Enterprise (MOGE), which held a 15 per cent share in the project. Yetagun was discovered a couple of years afterwards, and developed by Premier Oil (UK), Petronas Carigali Myanmar, PTT, Nippon Oil (Japan) and MOGE (Premier Oil Press Release, 22 June 2000, ‘First Gas from Yetagun Field’). Through these two projects parallel pipelines were built from the gas fields in the Andaman Sea, across the Tanintharyi (Tenasserim) division and into Thailand. This has been highly controversial, as the building of the pipelines has contributed to the militarisation of the region and increase in human rights abuse, as well as being the largest source of foreign investment in the country (see Bureau of International Labor Affairs 1998, and ERI and SAIN 1996). Yandana came online in 1998, and Yetagun in May 2000. The mining sector is also one of the few growth areas in the Myanmar economy; in 1998/99 it gained 17 per cent of value-added growth, due to substantial domestic and foreign investment. A large part of this was contributed by the Canadian mining company, Ivanhoe Mining Ltd., which entered into a joint-venture with the No. 1 Mining Enterprise (MEI) to develop the Monwya copper mine that began production in 1998 (Moody 1999: 32-24). By 2001, the mine was producing 30,000 tonnes annually, and the company was searching for further financing that will enable it to increase annual production to 125,000 tonnes (The Financial Times, 16 June 2001). As this mine is half-owned by the state enterprise, and Ivanhoe Mines pays a 2-4 per cent royalty to the government, it is developing as a major foreign exchange earner (Moody 1999: 50). Like the companies involved in the gas pipeline projects, Ivanhoe Mines has faced accusations of benefiting from the government’s use of forced labour and contributing to serious environmental degradation (Moody 1999:14-18, 59-60).
\textsuperscript{120} Other hindrances to the development of industry include the lack of credit sources, competition from extremely low-priced imports from China, and uncertain business conditions (Dapice 1998a: 12).
dependent on wood and biomass fuels for as much as 80 to 90 per cent of its energy needs, which causes extensive deforestation (Dapice 1994: 6).

Security and defence are considered to be the essential tools for a coercive state, and unsurprisingly the defence sector is highly privileged in resources and political backing. First, defence receives a significant proportion of public expenditure, estimated at around 35 to 40 per cent (Selth 1998a: 89). The defence budget is supplemented by ‘hidden subsidies’ of goods and services siphoned from other government sectors. Selth (1996b: 5) reports that the Tatmadaw receives around one-sixth of centrally generated electricity, large amounts of subsidised fuel, and paddy acquired through the rice procurement program, sold at cost price to regional commanders who then resell the paddy on the market to supplement salaries. This extends to social services, as ‘[a]n increasing share of the government’s diminishing health budget…seems to be devoted to the provision of health services to military personnel and their families’ (ibid.). Secondly, military-owned companies dominate the private sector, especially the Military Economic Holding Corporation and Union of Myanmar Economic Holdings. According to Selth, ‘[t]he entire country has become a massive resource base on which the Tatmadaw can draw as it chooses, not only to sustain itself and conduct military operations, but also to perpetuate military rule’ (ibid.: 15).

Along with the development of agriculture and related industries, accelerated infrastructure development is a major economic priority of SLORC and SPDC (Government of the Union of Myanmar 1996: 4). Between 1988 and 1992, this effort was concentrating on renovating and cleansing the cities, towns and villages around the country, especially to turn Yangon into a ‘modern metropolitan city’ (ibid.: 1). From 1992, the emphasis on infrastructure development has been on ‘construction of new and upgrading of

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121 The UMEH is partly owned by military officer shareholders (60 per cent) and partly by the Directorate of Defence Procurement. Its registered capital at the official exchange rate of Kt6.4 per US dollar is US$1.4 billion (Matthews 2001: 245, fn 5). See also Houtman (1999: 107-111) and Maung Aung Myoe (1999b: 11-13).
122 See Chapter Four for an analysis of the regime’s concept of economic development.
123 The renovations and beautification of the cities, including large-scale relocations of squatters, is a repetition of a similar campaign carried out by the Caretaker government in 1958-1960.
existing roads, bridges, electric power, irrigation and embankment works, transport and communications’ (ibid.: 1). There is no doubt that the infrastructure development is needed, as most of the major infrastructure in the country was built in colonial times. A review of the infrastructure sector in 1989 reported that ‘infrastructure is in a generally dilapidated condition; roads, railways and inland waterways are old and in poor condition, and levels of service and traffic volumes are correspondingly reduced’ (Snowy Mountains Engineering Corporation 1989: i). The government’s emphasis has achieved results. For example the total miles of roads and bridges was increased by 14.8 per cent between 1988/89 and 1994/95 (American Embassy Rangoon 1996a: 39). However, the rapidness of the infrastructure building has also compromised the quality of the program, with a UNDP report noting that ‘[r]oads are constructed to unreasonable deadlines which compromise technical standards, with the result that costs (including vehicle operating costs and the cost of future repairs) are much higher in the long run’ (N.D. Lea International Ltd. and Haskoning Royal Dutch Engineers & Architects 1993: B-36). Many of the roads built in remote areas are washed away each wet season, and have to be rebuilt.\textsuperscript{124}

Infrastructure development received a higher proportion of the budget than other sectors, excluding defence. In 1995/96, government investment in infrastructure accounted for 30.7 per cent of expenditure (Government of the Union of Myanmar 1996: 3). Nevertheless, the transport system suffers from low levels of government and private investment (N.D. Lea International Ltd. and Haskoning Royal Dutch Engineers & Architects 1993: B-45). The development of electric power, transport and communications is constrained by shortages of foreign exchange (Government of the Union of Myanmar 1996: 2). Many major infrastructure projects are paid for through bilateral aid and donations, especially from China and Japan, or from ‘donations’ from companies seeking business concessions (interview 37, Yangon: June 2000). A number of major roads have been developed and maintained by private

\textsuperscript{124} For an assessment of physical infrastructure in Myanmar, see American Embassy Rangoon
companies, which are allowed to collect tolls on the road for a period of 30 years (Government of the Union of Myanmar 1996: 13). A report in The Irrawaddy stated that a foreign construction company had been given major logging concessions in exchange for building a road network in the Kachin State (Moncreif and Htun Myat 2001). Many major projects have been built using forced labour. Overall, the economy and state capacity are being debilitated by the regime’s attempt to combine the central control of a socialist economy with the growth and development of a market economy. The result is a quasi-transition that, instead of combining the best of both systems, ends up with the worst of each. For those in the military regime in particular, the economy is a means to maintain political power and social control.

Moreover, the failure to complete the reforms necessary for economic transition means that the capacity of the state to implement government policy remains generally very low. Revenue mobilisation has declined since 1992/93, and averages about 8 per cent of GDP (Poverty Reduction and Economic Management Unit 1999: 4). The corresponding decline in public expenditures has been concentrated in capital expenditure, particularly in the social sectors (ibid.: v). Therefore, it is not surprising that in these areas the government is not the major provider of services. Myanmar’s economy is not structured to produce sustainable economic development. Its neighbours in the region who have achieved this worked out how to ‘increase the accumulation of physical and human capital and to deploy it effectively’ (Dapice 1998b: 155). This strategy included policies to promote a dynamic rural sector, maintain a healthy macroeconomic environment, and

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125 The privately maintained roads include the Mandalay-Lashio-Muse road, which is a major trading route, and the Yangon-Mandalay road (Government of the Union of Myanmar 1996: 14).
126 The state mobilises a considerable amount of labour and construction materials through forced labour, the market value of which is estimated by the US embassy in Yangon to be equivalent to 3.7 per cent of GDP in 1994/95 (American Embassy Rangoon 1996a: 4). See Chapter Three for more detail.
127 For example, in 1993 sanitation coverage (sewage systems and hygienic facilities) in Yangon was 72 per cent. Of this, the government provided only 12 per cent, while the remaining 60 per cent of coverage came from private households (Cowater International Inc. 1993a: 4.21).
develop an export industry of manufactured goods so as not to be reliant on export of the unprocessed natural resources of the country (ibid.: 155-156). Such policies are not being promoted in Myanmar. Essentially, the economic policy of SLORC/SPDC is a ‘survival strategy…based on the notion that benefits can be achieved in the relative short term’ (Cook and Minogue 1997: 193). It is an ad hoc strategy to appease the vested interests of the elite, to promote acquiescence of the masses, and, above all, to retain the control of the state over the country.\footnote{See Khin Maung Kyi’s (1994: 217-230) consideration of the impact of the military regime’s emphasis on short-term reform measures.} However, as the following two sections show, the change in economic policy has had implications for the social and economic structures that provide a support base for the military regime.

**Economic Survival Strategies for State and Society**

As under the socialist state, economic mismanagement in a market economy encourages a large informal sector. After the SLORC began transition to a market economy in 1988, much of the growth in the first few years was due to activities, previously illegal, being legalised. However, significant export restrictions and state monopolies were still applied, and along with periodic border closures the need for informal economic activities remained strong. There is a flourishing illegal border trade in rice, gems, teak and oil, as well as a semi-sanctioned black market in currency (Mya Maung 1997: 512-517).\footnote{For details on border trade, see Mya Than (1996).} Now the size of the informal economy in Myanmar is reportedly at least equivalent to the formal economy (American Embassy Rangoon 1996b: ii).

The main difference from the socialist era is that now the top echelons of the military are much more intimately involved in illegal activities, and actively encourage aspects of it that strengthen their power. During the socialist era, insurgent groups who controlled access to the Thai-Burmese border, such as the Karen National Union (KNU), funded their activities by taxing the trade of smuggled goods. When the SLORC began regaining territory near the borders in 1989, either through ceasefire agreements or military successes, the central
government reaped the benefits of the lucrative border trade, and the ability to grant concessions to foreign businesses for the exploitation of natural resources. Although many of these activities were brought into the legal sphere, a considerable number still occurs beyond it. However, many of the benefits of illegal trade now go to the government, rather than its political and military opponents.

In another way, the SLORC’s manipulation of the illegal economy is evident in the multiple exchange rates for the kyat. Although the official rate remains pegged at just over Kt6 to the United States (US) dollar, the black market rate is quite openly used by all, including the government. However, the government attempts to prevent the rate of the kyat being devaluated too much through periodic crackdowns on semi-official currency traders.

Meanwhile, the semi-official side of the economy caters to the lifestyle of the elite. For example, despite the government’s restrictions on the importation of luxury items, chains of supermarkets in the capital sell expensive imported goods. A considerable amount of this is assumed to be brought into the country surreptitiously, yet is sold openly to the core of the regime’s support base (interview 37, Yangon: June 2000). In the same way, the elite gets around the 100 per cent import tax on luxury cars. However, the availability of luxury consumer items is not restricted to Yangon. Every major market in the country is full of goods smuggled from Thailand and China, from essential everyday items such as clothing and medicines, to electronic goods.

Most importantly, the economic transition has a highly significant impact of transferring the profits from the narcotics trade from insurgent groups to the state elite. The development of the narcotics trade in Myanmar, and how it became inextricably linked with politics, has been well documented, especially in the major works of Bertil Lintner (1994) and Martin Smith (1998). It is also well known that the production of narcotics has increased greatly during the rule of SLORC/SPDC. Raw opium production increased from 836 tons in 1987

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130 The black market exchange rate varied from around 900 to 1200 kyat to the dollar in the second half of 2002.
to 2340 tons in 1995, which implies potential heroin output of 166 tons (Lintner 2000: 165). The *Far Eastern Economic Review* estimated that total exports from the country, including narcotics, were US$1,800 million in 1996, compared to the official government export figure of US$922 million (Lintner 1996: 88). Additionally, for the first time, a significant amount of drug money was staying in Myanmar, and being recycled into the legal economy (Lintner 2000: 164). The real estate and construction boom of the mid-1990s is assumed by most international observers to have been funded by drug profits, with a US Department of State report saying,

> Political and economic constraints on legal capital inflows magnify the importance of narcotics-derived funds in the economy. An underdeveloped banking system and lack of enforcement against money laundering have created a business and investment environment conductive to the use of drug-related proceeds in legitimate commerce (Bureau for International Narcotics and Law Enforcement 1998: 1).

It has been estimated that profits from the narcotics trade are linked to a substantial amount of private investment in Myanmar, as many of the major business groups in the country that dominate the banking, infrastructure and import-export sectors are run by known narcotics dealers (Davis and Hawke 1998). Western diplomats place the figure of direct profits from narcotics being laundered in the legal economy at 5-10 per cent, which then form seed funds for legal investments (interview 19, Yangon: March 2000; interview 37, Yangon: June 2000). The major drug lords during the 1970s and 1980s, Khun Sa and Lo Hsing-Han, are now legitimate and influential businessmen living in Yangon.

In their place, a new drugs elite has emerged from the ceasefire agreements, and has built up substantial narcotics production empires due to ceasefire agreements based on an understanding that the central government would not interfere in the narcotics trade of the former insurgent groups (see Chapter Three). This new elite also makes substantial investments in the legal economy. Further, the drug trade is now carried out with the involvement and

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131 Until 2002, when Myanmar created legislation to prevent money laundering, the laundering of drug money was made easier by a 25 per cent tax (initially 40 per cent) on repatriated funds, the origin of which could not be accounted for (Davis and Hawke 1998: 28).
complicity of government officials and military officers.\textsuperscript{132} Whether or not there is direct complicity in the narcotics trade by the SPDC is contested, but there is no doubt that the military elite has manipulated the changing power structures in the drug producing areas during the 1990s to work in its favour, rather than against it.

In recent years, this strategy has changed slightly as, having reaped the benefits of the new political and economic arrangements, the regime began putting effort into meeting its international commitments to drug eradication. Levels of opium production have returned to pre-SLORC levels. The United Nations Office on Drugs and Crime (UNODC)\textsuperscript{133} claims that opium cultivation has declined by 62 per cent between 1996 and 2003, with an estimated harvest in 2003 of 810 metric tons (UNODC 2003). This is partly due to official drug eradication efforts, led by the Central Committee for Drug Abuse Control (CCDAC) in partnership with UNODC.\textsuperscript{134} It is also related to the groups involved in narcotics trafficking moving into the much more mobile (and harder to control) production of methamphetamines.

The Foundations of the Regime: important non-state actors and institutions

As argued above, one of the changes accompanying the transition has been the change in the power-holders in society. As the economic transition proceeds, new groups have emerged with an interest in the survival of the regime, especially the former insurgent organisations that have taken

\textsuperscript{132} The US International Narcotics Control Strategy Report points out that although there is no evidence that the government is involved in the narcotics trade on an institutional level, ‘there are persistent and reliable reports that officials, particularly army personnel posed in outlying areas, are involved in the drug business. Army personnel wield considerable political clout locally, and their involvement in trafficking is a significant problem’ (Bureau for International Narcotics and Law Enforcement 1998: 4). Other studies allege direct participation by military officers at the highest level in the narcotics trade. For example, Desmond Ball argues that the Military Intelligence network is used to facilitate the movement of drug shipments across the country and over the border, while the late Lieutenant-General Tin Oo was a part-owner in two heroin refineries (Ball 1999: 5). See also Southeast Asian Information Network (1998: 15-21) and Ball (1999).

\textsuperscript{133} Formerly the United Nations International Drug Control Programme (UNDCP).
advantage of the ceasefire agreements to develop extensive business interests. This is a common development in civil-military relations, in which, as Djiwando and Cheong (1988: 9) argue, collaboration becomes the order of the day, networks are established, and the military becomes a ‘partner with others in development’. Such alliances produce a combined political and economic power that can ‘constitute almost insuperable obstacles to far-reaching economic reform’ (Crouch 1988: 68).

Because the regime agreed to overlook participation in the production and trade of narcotics by the former insurgent forces in return for ceasefire agreements, a number of ethnic minority leaders now owe substantial riches and power within their special administrative regions to the current status quo. The most notable of these are the Wa and Kokang groups that emerged from the former CPB and have established powerful drug empires, as well as armies to back them up. In particular, the United Wa State Army (UWSA) has gained considerable political and economic power through the advantageous ceasefire arrangement with the government. The special administrative regions these groups control, in the eastern Shan State, have become crucial zones of power. It is well within the interests of the UWSA and the SPDC to support each other’s goals. For example, in 2001 the UWSA increased its armed strength to 10,000, and begun fighting a proxy war on the SPDC’s behalf with the remnants of Khun Sa’s Mong Tai Army, which reformed as the Shan State Army-South (SSA) after his surrender in 1996, and is not the strongest of the regime’s remaining opponents (The Nation, 24 April 2001). In return, the regime shelters the UWSA from international censure, and channels development funds to the region. This has worked to their mutual advantage so far; however

134 Jean-Luc Lemahieu, the country representative of UNODC in Myanmar, describes progress in the government’s commitment to illicit drug control, such as money laundering legislation approved in 2002 (Aung Zaw 2003).

135 The SLORC/SPDC has encouraged the armed ethnic minority groups to fight among themselves. In addition to the conflict between the USWA and the SSA, the KNÜ has been weakened by the Tatmadaw’s alliance with a breakaway faction, the Democratic Karen Buddhist Army (Silverstein 1997a: 150-151).
it represents a risky strategy for the government, whose control over the UWSA is tenuous.\textsuperscript{136}

The influence of the \textit{sangha} remains important. While monks, such as the \textit{Thamayana Sayadaw}, from the Kayin (Karen) State, are renowned for standing up to the military, and remain untouchable because of their revered status, some other \textit{Sayadaws} have been courted through direct patronage by the top generals. This basically gives them free access to the system of privileges which is mostly restricted to the military elite, including luxury gifts,\textsuperscript{137} and also the ability to undertake large religious projects (personal observations 10: March 2000; interview 59, Yangon: September 2000).

Some of the \textit{Sayadaws} have become involved in politics. The NLD has alleged that some senior monks are working with MI, and applying moral coercion on NLD members to resign from the party (NLD Statements 2/1999; 7/1999; 21 1999). Other monks have attempted to take a middle ground, such as the appeal by two respected \textit{Sayadaws}, in 1999, for the NLD and the SPDC to work together for national reconciliation (Min Zin 2000). Although they offered to act as mediators for talks, nothing came from this initiative, demonstrating that the high-level political influence of the \textit{sangha} has been restricted by the efforts of the regime to align Buddhism with the goals of its rule. It is only when parts of the \textit{sangha} become involved in anti-government activities that its independent political role is evident; yet since the early 1990s none of these protests has been successful as the regime has managed to neutralise the political influence of the \textit{sangha}, and coopt its moral influence to some extent (see Chapter Four).\textsuperscript{138}

\textsuperscript{136} This alliance also restricts the ability of the government to address the security threats of narcotics, both as a source of instability in the border regions, and due to the increasing rates of heroin addition in the population (Tin Maung Maung Than 1998: 400).
\textsuperscript{137} Yawnghwe (2000: 11) reports that ‘each of the important generals has his own guardian monk and protector. These guardian-monks are showered by the generals with luxury sedans, air-conditioners, television sets, video players, refrigerators, and so forth, in lavish televised ceremonies’.
\textsuperscript{138} In May 2000, amid rumours that monks were planning a protest march from Mandalay to Yangon, and plan for another alms boycott, further prohibitions were issued to the \textit{sangha}, including a ban on monks discussing politics with lay people, meetings in monasteries, reading anti-government materials, and monks were required to seek permission to travel outside their districts (ICG 2001b: 18).
There are other means of gaining influence in the current system. With the transition to a market economy, and the regime’s emphasis on shifting the burden of governance to the private sector, the new business class has become a significant element of the regime. Most of this class are the same people who had influence under the previous regimes, and their connections have now gained them economic power, increasing their influence. As already mentioned, the most significant of the new big businessmen are those who have moved into the legitimate economic sector from narcotics production and trade. Others have gained influence through being granted valuable concessions or trade permits. The real power they have is behind the scenes, although organisations like the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), and the more informal business forum in the ‘Tuesday Club’, have begun to institutionalise these networks of power. A small group of well-connected entrepreneurs continues to dominate the banking, construction, import/export, manufacturing and industrial sectors. Overall, Thet Tun’s (1999b: 53) assessment of the elite of the current era is that ‘movie stars along with officers and entrepreneurs form the social elite…displacing the old bourgeoisie hit by inflations’.

For those who do not already have high-level patronage to get ahead in the new economic system, the way to gain business and education opportunities is through membership of state-sponsored ‘social’ organisations. The regime has attempted to constitute the military-dominated state as the only significant (and formal) institution in society. Non-state organisations (NGOs) are allowed to exist only if they are explicitly state-linked, and promote the values and goals of the regime. For example, the main registered NGOs and social organisations are mass organisations that are used for mobilising the

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139 Martin Smith tells of Kachin jade miners who were forced out of their traditionally-owned land during a government auction of mineral rights in 1989-90, when the concessions were bought by newcomers with military connections (Smith with Annie Allesbrook 1994: 97). Most people could not afford to take advantage of business opportunities offered by the government, causing a small group of entrepreneurs to dominate the new economy (ibid.: 97-98).

140 The UMFCCI has around 3000 members as of 1998, spread throughout regional chambers of commerce and professional associations in the country. However, most of the businesses involved are joint-venture enterprises (UN Theme Group for HIV/AIDS in Myanmar 1998: 46).
population to achieve goals the state is unable to achieve on its own, and to add an extra dimension of structure and control to society. They also represent a continuation of the military regime’s desire to harness society to pursue its goals through controlled participation. The biggest of these organisations is the USDA, which was formed by the government in 1993 as a social organisation, and had over 11,085,000 members by 1999 (Myanmar Ministry of Information 2000: 215). Sharing the stated national aims of the SPDC, and with its most promising members being groomed as future leaders in politics, economics and society, the USDA is a conscious construction of a compliant society. Membership is almost mandatory for achieving social mobility, as it controls access to education and business opportunities. The USDA runs English and computing courses for its members in urban areas, and management skills training for members in the township, division and state branches (ICG 2001b: 10). It also has extensive business activities (Steinberg 2001a: 112). A USDA membership card is also very useful when dealing with authorities (Matthews 2001: 233). It is reported that most members were either coerced to join, or did so to gain privileged access to state services, or exemption from forced labour (Khin Maung Win and Smith 1998: 116). USDA members are also used as an auxiliary security force, receiving military training (Callahan 2000: 40). It is recognised, even by USDA leadership, that the organisation is ‘stronger in appearance than in fact’ (Maung Aung Myoe 1999b: 9). Other powerful social organisations are the Myanmar Women’s Entrepreneurial Association, run by prominent businesswomen, which operates micro-credit projects for poor women, and the Myanmar War Veteran’s Association.

142 The USDA is also given control of state revenue-raising activities to assist with its fundraising. For example, the chairman of the Tachileik District Peace and Development Council gave permission for the local chapter of the USDA to charge drivers without licenses, which is reported to have amounted to over 70,000 Baht per month (BurmaNet News, 12 December 2001).
143 See also Steinberg (2001a: 110-115).
144 The Myanmar Women’s Entrepreneurial Association was originally formed as an independent civil organisation by prominent businesswomen, but was soon coopted by the regime (Fink 2001).
These alliances also reduce the possibility of key constituents in society pushing for political reform. While this applies especially to the groups involved in narcotics production and trafficking, and individual businessmen who have established economic empires under the patronage of the generals, less influential groups have also been drawn into the realm of the state. For example, the Pa-O National Organisation, which reached a ceasefire agreement with the government in 1991, is running a number of business ventures, including luxury boutique hotels at the popular tourist destination of Inle Lake. The hotels are run by the organisation as a collective, with the profits going to community development (personal observations, Shan State: April 2000). In the political arena, the Pa-O National Organisation was represented at the National Convention. While this group is probably not content with the political situation, it has accepted a status quo that has bettered the lives of the Pa-O people, if only because it has ended decades of fighting.\footnote{A number of other ceasefire groups has established business ventures. For example, the Kachin Independence Organisation (KIO) have reopened a large sugar mill, while the New Mon State Party (NMSP) and the SSA have investments in fishing fleets (Smith 1999a: 41). The benefits to communities go further than business opportunities; greater security to travel has give people access to better quality government facilities in urban areas (\textit{ibid.}: 43). See also Chapter Three.}

Thus, the regime is strong and durable because the vested interests of key groups in society have been catered to, threatening groups have been marginalised, and, as will be shown in the following chapter, the institutional structures of coercion, surveillance and social control have convinced much of the population that they are safest when engaging with the state as little as possible.

**Conclusion**

Despite the social, economic and ideational change that has occurred since independence, the various regimes are linked by institutional weakness and ineffective development strategies, which comes down to an underlying failure of any of these regimes to consolidate the state. The state has been unable to find a nation-building strategy that can promote a cohesive nation,
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and is instead dominated by the security concerns of a chronically conflicted society. As well as absorbing the state’s resources, the security agenda has produced a style of governance that is inimical to nation-building and sustainable economic and social development.

Thus, the most notable aspect of the evolution of the Myanmar state is the prevalence of unresolved issues, which has dominated the economic and political development of the state. Ongoing legitimacy problems of the state have meant that successive state leaderships have felt the need to put government resources into ensuring the dominance of the state over society. The military governments in particular have gone to great lengths in attempting to reshape society into a controllable form, and into an image that suits their idea of nation. Yet, the methods used to pursue state dominance have produced institutional weakness in the state.

Since 1962, nation-building strategies, shaped around the military’s security agenda, have focused on selected areas of economic development and ethnic relations, but neglected or suppressed other areas – such as social and cultural nation-building – that conflicted with the state leadership’s concept of a strong and dominant state. The search for an effective strategy by the regime has involved experimentation and constant renegotiation of ideology. The national ideology of socialism, which shaped the state from 1962 to 1988, was always secondary to the military’s true security agenda. When socialism weakened the state and its leader’s power, thereby threatening the security agenda, it was discarded. Seeking new methods, SLORC based its rule blatantly on the security agenda itself, and promoted the opposite of socialism: economic development and modernisation under an open economy.

In many ways, the current leadership has abandoned the anti-colonial mentality that dominated policy until 1988, and, in the increasing elitism of the economic system and the development bias towards the border areas, shares more similarities with the colonial state. The changes in the style and focus of governance introduced under SLORC, have gradually distanced it from the previous political leadership. A different procedural and policy approach, involving constant reversals and changes in strategies as the regime’s methods
fail to work, or threaten to slip outside of their absolute control, has produced incremental, but significant, changes. The new orientation of economic and foreign policy since 1988 has increased the ability of the regime to shore up its rule, as well as altering the key players in society. Also, compared to its socialist predecessor, SLORC/SPDC is more susceptible to international influence and trends in governance as it seeks recognition in international fora and relies more on international investment and aid. The increase in exposure to international influence under SLORC/SPDC is compounded by a gradually infiltration of outside ideas through new technologies and visitors.

As the current problems of the regime in completing the reforms associated with economic transition indicate, the development of the state is still shaped by the core values and goals of the military, including the preoccupation of the state leadership with social control. This is clearly apparent in the state of the transitional economy. For the regime, economic development is a means to military dominance of the state, not an end in itself. The characteristics of the transitional economy reveal the nature of the SLORC/SPDC’s rule in that it is only a quasi-transition; the regime clings to the security of a command economy (even through the economic dominance of the Chinese, in both formal and informal economies, limits the regime’s capacity for central control). Economic reform is characterised by periodic regressions in policies that seemed to go too far from the military’s agenda. The priorities of the state – as well as the lopsided nature of the regime’s nation-building strategy – is revealed by the sectors that are given most of the state’s resources: defence, infrastructure, and investment in areas that are ‘safe’ and profitable for the regime. At the same time, key sectors, such as agriculture, are crippled by policies oriented to security priorities. Meanwhile, the informal economy still acts as safety valve, thereby contributing to the durability of military rule.

To build on the examination of these trends and characteristics within the state, the next chapter delves more deeply into administration and daily life, to gain an idea of how the state is run and the power of the regime maintained. As the analysis will make clear, the security agenda of the regime shapes every
aspect of governance and, despite strategies of disassociation, penetrates deeply into community life.