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Tracing Burma's Economic Failure to Its Colonial Inheritance

The extent to which the inheritance of British rule in Burma, including Burmese perceptions of that inheritance, might explain Burma's economic failure since independence is explored. Several factors came into play. One was the ferocious rejection of the economic structures of colonial rule by the Burmese. Another was the failure of Burmese entrepreneurs—who had been in a position to achieve little beyond dominance over the rice field—to emerge during the colonial period. Finally, there were the implications for independent Burma's economic options of the withdrawal of Indian capital, enterprise, and commercial experience, which had been a dominant factor in the colonial economy, at the point when Burma regained its political freedom.

My aim in writing this article is to integrate the two contrasting periods in Burma's twentieth-century economic history. Specifically, I explore how, and to what degree, the colonial inheritance, including Burmese perceptions of that inheritance, shaped the economic experience of Burma from the time of independence—in other words, how the colonial inheritance explains independent Burma's economic failure. This is emphatically not to set up a contrast between a successful colonial economy and the failed economy of independent Burma, partly because to characterize the colonial economy as successful, or indeed as unsuccessful, is problematic, but also partly because no characterization of the colonial economy is in fact necessary for the purposes of this article.[1] My concern here is simply with the colonial

I wish to thank Anne Booth, Robert Taylor, Sean Turnell, and the three anonymous referees appointed by *Business History Review* for their comments on earlier versions of this paper. I am responsible for the remaining errors.

[1] On the first point, note, for example, the argument that Burma's colonial "prosperity lay only in the national statistics and the country's trade and other economic relationships with exploiting imperialists," reported by Robert H. Taylor, "Disaster or Release? J. S. Furnivall and the Bankruptcy of Burma," *Modern Asian Studies* 29, no. 1 (1995): 49.

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inheritance—the ways and extent to which it explains Burma's more recent economic failure.[2]

There are two dangers in pursuing this line of enquiry. The first is political. The more Burma's economic failure is explained in terms of a colonial inheritance, the less the responsibility for that failure might be said to rest with its military rulers—an unpalatable conclusion for many observers and activists.[3] But so be it. The second danger is historical determinism. Thus, were it to be argued that a particular economic strategy—the military regime's rejection of external capital in the 1960s—was heavily influenced or determined by Burma's recent colonial experience, the case could then more easily be made that no other economic strategy was possible, leading to the conclusion that, bound as it was by the colonial inheritance, the military had no alternative. In this view, the past is said to imprison the future. The danger of historical determinism is a serious one in the present context. But the issues are complex. I will return to them in the conclusion.

Burma stands out for the ferocity with which it came to reject its colonial economic structures. In the 1960s and 1970s, the rejection extended to the most basic element of the colonial inheritance—engagement in the external economy. How is this ferocity to be explained?

The Economy of Burma in the Twentieth Century

The history of Burma's economy in the long twentieth century breaks sharply at the early 1940s. From the final decades of the nineteenth century until the outbreak of war in the East in 1941, Burma under British rule experienced a substantial and broadly sustained rise in production and trade, establishing the territory from the outset as a highly important possession in Britain's eastern empire. Burma's colonial prosperity was built principally on an extraordinary expansion in the cultivation and export of rice. The area under rice in Lower Burma rose from 1.73 million acres in 1870 to 6.58 million acres in 1900, to 9.93 million acres in 1940; and the volume of exports increased from an

[2]This clarification is important as the contrast between an apparently prosperous colonial economy and an impoverished Myanmar—the official name of the country in foreign languages since the late 1980s—is often made or implied. And the contrast can easily evolve into the simple argument or implication that Burma's generals have ruined a once prosperous country. See, for example, the opening two sentences of Sean Turnell's fine study: "At the dawn of the twentieth century Burma was the richest country in Southeast Asia. At the dawn of the twenty-first century it was the poorest." Sean Turnell, *Fiery Dragons: Banks, Moneylenders and Microfinance in Burma* (Copenhagen, 2009), 1.

[3]A conclusion made still more unpalatable by the fact that "[t]he colonial period is . . . . cited [by the military itself] as the root cause of most of the problems facing the state." David I. Steinberg, *Burma/Myanmar: What Everyone Needs to Know* (New York, 2010), 38.

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annual average of 0.81 million tons in the 1870s to 2.17 million tons in the 1900s, to 3.14 million tons in the 1930s.[4] In these decades, Burma was, by some distance, the single most important exporter of rice in the world, responsible indeed for almost two-fifths of total world exports in the years immediately before the outbreak of war in the East.[5] The expansion of rice cultivation and trade in Burma from the final decades of the nineteenth century has been called "one of the most impressive examples of sustained economic growth under the aegis of a European colonial regime."[6] Central to that achievement was the immense labor performed by the hundreds of thousands of Burmese agriculturalists who migrated south from Burma's northern Dry Zone into the vast empty tracts of the Irrawaddy delta. There, they claimed the land from its dense forest cover and extensive swamps to prepare it for cultivation —in itself an exceptionally arduous task carried out under the most appalling conditions—before, year after year, planting, tending, and then harvesting the delta's huge rice crop.[7]

Indian labor and capital also made important contributions to the highly impressive growth achieved by Burma's rice industry in those decades. From the late 1880s, each year hundreds of thousands of laborers from the Madras and Bengal presidencies landed in Burma by sea to work in the rice districts—planting and then harvesting the crop—and in the rice mills and on the wharves at the major ports.[8] Also from the 1880s, the Chettiar caste of moneylenders from Madras, recently established in Rangoon and the major towns, extended their operations into the rice districts, and during the subsequent decades came to provide, both directly and indirectly, much of the long-term capital that made it possible to clear the land, extend the cultivated area, and provide the short-term crop loans that were required to finance each year's planting.[9] British capital and entrepreneurs, too, were important in the impressive growth of Burma's rice industry during this period, figuring

[4] Cheng Siok-Hwa, *The Rice Industry of Burma, 1852–1940* (Kuala Lumpur, 1968), 241–43, 201.

[5] J. Russell Andrus, *Burmese Economic Life* (Stanford, 1948), 165.

[6] Michael Adas, *The Burma Delta: Economic Development and Social Change on an Asian Rice Frontier, 1852–1941* (Madison, Wisc., 1974), 58.

[7] Ibid., chs. 2 and 3, provides an excellent account of this transformation of the Burma delta in the final decades of the nineteenth century.

[8] For example, the annual average number of immigrants arriving by sea—overwhelmingly laborers from India—in the years 1906–10 was 316,800. For most Indian laborers, their time in Burma was brief—often less than a year or just one or two years, although repeated migration and return was common—and consequently the figures for emigration from Burma back to India were also high. In those same years, 1906–10, the annual average number of emigrants leaving by sea was 297,800. However, until the late 1930s, arrivals always exceeded departures, often by a substantial margin. Figures from Cheng, *The Rice Industry of Burma*, 122.

[9] For details on Chettiar operations in this period, see Adas, *The Burma Delta*, chs. 3 and 5.

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prominently in milling as owners of the large steam-powered mills that dominated the sector in the ports and as traders of Burma's rice on world markets.[10] There were four principal European milling and exporting firms: Steel Brothers, the Anglo-Burma Rice Company, Ellerman's Arakan Rice and Trading Company, and Bulloch Brothers.

Although Indian labor and capital were clearly crucial in securing the remarkable growth in rice production in Burma in the late nineteenth and early twentieth centuries—never forgetting the Burmese cultivators themselves—it was evident by the final full decade of British rule that the substantial Indian penetration was also creating serious socioeconomic fractures; most notably, the collapse of rice prices in the Rangoon market late in 1930, when the world economic crisis hit Burma, exposed the high levels of borrowing long pursued by Burma's rice cultivators. These cultivators defaulted in their thousands, and the Chettiars were forced to foreclose.[11] By the mid-1930s, around one-quarter of agricultural land in the thirteen principal rice-growing districts of Lower Burma was in Chettiar hands.[12] In a memorable passage published in 1948, John Furnivall, a prominent Burma scholar-official of the time, bitterly caught the stark contrast between the now dispossessed Burmese cultivators and the enriched foreigners.

> Thus "the epic of bravery and endurance" relating "the greatest achievement in the history of Burma," the reclamation by Burmese enterprise of ten million acres of swamp and jungle, ends with a picture of imposing Government offices and business houses in Rangoon, and gilded *chettyar* temples in Tanjore, while in the rice districts, the source of almost all this wealth, nearly half the land is owned by foreigners, and a landless people can show little for their labour but their debts, and, for about half the year, most of them are unable to find work or wages.[13]

I will return to this powerful image later.

Rice was by far Burma's single most important export under British rule, accounting for close to half of total export value in the years immediately before the outbreak of war in the East.[14] Rice was followed by petroleum products, principally kerosene, which accounted for roughly

[10] Cheng, *The Rice Industry of Burma*, 77–93, 227–28.

[11] That broad statement notwithstanding, the impact of the world economic crisis of the 1930s on Burma's rice economy, and in particular the response of the cultivators to the crisis, was notably diverse and subtle. See Ian Brown, *A Colonial Economy in Crisis: Burma's Rice Cultivators and the World Depression of the 1930s* (Abingdon, 2005).

[12] Cheng, *The Rice Industry of Burma*, 146. In 1930 the Chettiars had held just 6 percent.

[13] J. S. Furnivall, *Colonial Policy and Practice: A Comparative Study of Burma and Netherlands India* (New York, 1956), 116.

[14] Calculated from J. Russell Andrus, *Burmese Economic Life* (Stanford, 1948), 164.

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one-quarter of exports in the same period, and then by teak, which came to just one-twentieth of exports. Crude-oil production in Burma had increased impressively from the early 1890s to almost one million barrels a year at the turn of the century, and then to seven million in the mid-1910s. It then remained at between six and seven million barrels a year through to the war.[15] Oil and teak were almost exclusively preserves for European interests, inevitably so, given both the technical, commercial, and capital demands of extracting, refining, and marketing oil on a large scale and the long-term investment necessary to extract, saw, and market teak. Three firms occupied the oil industry: the Indo-Burma Petroleum Company, which was a subsidiary of Steel Brothers; the British Burmah Petroleum Company; and, by far the most important, the Burmah Oil Company.[16] Established in 1886, and the parent of the Anglo-Persian Oil Company, or British Petroleum, Burmah Oil had a near monopoly of production and refining in colonial Burma. In teak, the most important British firm was the Bombay Burmah Trading Corporation, but also significant were MacGregor and Company, T. D. Findlay and Son, Foucar and Company, and, once again, Steel Brothers.[17] At this point it is appropriate to note one further major British firm in colonial Burma, the Irrawaddy Flotilla Company, which, in addition to possessing a near monopoly of steam-powered transport on Burma's rivers and canals, owned dockyards, warehouses, and foundries.[18] And, inevitably, the leading British banks in the East—prominently the Chartered Bank of India, Australia, and China; the Hongkong and Shanghai; and the Mercantile Bank of India—had a major presence in colonial Rangoon.[19]

A critical feature of Burma under colonial rule in the first four decades of the twentieth century was that the involvement of the Burmese in the modern economy was limited mainly to the—admittedly hugely important—cultivation of rice. There was little Burmese entrepreneurial initiative beyond the rice field. This is a broad generalization, and it is not difficult to find exceptions. Thus, the first decades of the twentieth century saw a substantial increase in the number of Burmese-owned up-country rice mills, such that at the beginning of the 1920s well over half the country's rice mills were owned by Burmese.[20] Or again, throughout the colonial period, most of the moneylenders at

[15] T. A. B. Corley, *A History of the Burmah Oil Company*, vol. 1: *1886–1924* (London, 1983), 320–21; vol. 2: *1924–1966* (London, 1988), 396.

[16] Andrus, *Burmese Economic Life*, 116–22.

[17] Ibid., 102–6. In addition to its operations in teak, petroleum, and rice, Steel Brothers owned the Burma Cement Company and had interests in commercial insurance: 153–55, 311.

[18] Ibid., 206–11, 148–49.

[19] Ibid., 303–5.

[20] Cheng, *The Rice Industry of Burma*, 82–84.

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work in the rice districts were, in fact, Burmese.[21] And, in the twentieth century, Burmese could be found owning and running printing firms, film companies, bus companies, and taxi firms.[22] However, such Burmese enterprises were almost invariably small in scale, and consequently the major part of milling and money lending—to take the two main examples here—was in the hands of European millers and Chettiars, respectively. Among the large-scale enterprises of Burma's modern economy—the oil companies, the rice millers and merchants, the teak companies, the banks—none were Burmese.

More critically, there was relatively little Burmese employment in the large-scale modern enterprises brought to Burma by colonial rule. At the end of the 1930s, Burmese accounted for just 14 percent of the skilled workers in the rice mills of Rangoon and a mere 4 percent of the unskilled laborers, positions that were overwhelmingly filled by Indians.[23] On the eve of the First World War, just 6 percent of those employed at the refineries of Burmah Oil were Burmese, while around 90 percent were Indian.[24] Burmese employment in the refineries then rose substantially—to close to one-third at the beginning of the 1920s—but the Indians continued to dominate. The deck and engine crews on the vessels of the Irrawaddy Flotilla Company were mainly from Bengal, while the subordinate office staffs came from Madras.[25] Indians also filled the subordinate positions in the British banks in Rangoon—the Chartered, Hongkong and Shanghai, the Mercantile—the senior posts being held, of course, by British staff.[26] The Indian domination, frequently an overwhelming domination, extended into the government services. The telegraph department and postal services were Indian preserves.[27] In the jails of British Burma, all the warders, with few exceptions, were Indians, recruited mainly from the United Provinces. Indeed, Indians also came to take more senior positions in the hierarchy—jailer, chief jailer, prison superintendent, up to the most senior post of all, that of Inspector General of Prisons.[28] And, as a final example, colonial Burma's hospitals were staffed almost entirely by

[21] Adas, *The Burma Delta*, 110–11. It should be added that "Chettiars often supplied the capital which Burmese moneylenders loaned to agriculturists," 164–65.

[22] Aung Tun Thet, *Burmese Entrepreneurship: Creative Response in the Colonial Economy* (Stuttgart, 1989), 97–99.

[23] Cheng, *The Rice Industry of Burma*, 131–34.

[24] Corley, *A History of the Burmah Oil Company*, vol. 1: *1886–1924*, 149–50.

[25] Alister McCrae and Alan Prentice, *Irrawaddy Flotilla* (Paisley, 1978), 126, 129.

[26] Andrus, *Burmese Economic Life*, 304.

[27] Aung Tun Thet, *Burmese Entrepreneurship*, 43–44.

[28] Ian Brown, "South East Asia: Reform and the Colonial Prison," in *Cultures of Confinement: A History of the Prison in Africa, Asia and Latin America*, ed. Frank Dikötter and Ian Brown (London, 2007), 242, 245.

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Indian doctors, Indian medical subordinates, and Indian ward menials, making them, for all intents and purposes, Indian institutions.[29]

A number of circumstances might explain the relative, often near total, absence of Burmese from the occupations and professions being created by modern Burma under British rule. Where the demand was for unskilled labor, as was the case, for example, in the Rangoon rice mills, Indian laborers recruited in the poorest districts of India were willing to work long hours in appalling conditions for low pay that no Burmese laborer would accept. Indian laborers, single males, were cheaper to house, packed as they were into barracks and lodging-houses close to the rice mills. Burmese laborers, in contrast, were reluctant to leave their families. Indian labor was seen as docile and submissive, while the Burmese were viewed as potentially disruptive and frequently rebellious. Where the demand was for skilled employees—clerks, engine crews, hospital orderlies and doctors, telegraphers, jailers, police—it could most frequently be met by Indians, who came with the training and qualifications, and, crucially, with long experience of the practices, processes, and procedures of the modern world. Professional Indians spoke English, and the others were at least familiar with the military Hindi commonly used by the British in India. And as a final circumstance, where an occupation or profession was a strong Indian preserve, Burmese struggled to break in—or, more accurately, were reluctant to intrude.[30]

There were, of course, exceptions to this Burmese absence from the workforce. Thus, Burmese dominated positions in the oilfields, working as drilling assistants, rig builders, fitters, and carpenters.[31] Burmese also dominated the law, accounting for well over 70 percent of Burma's lawyers at the beginning of the 1930s.[32] Even among the occupations and professions that clearly belonged in the Indian preserve—medicine—a Burmese presence, often substantial, commonly existed. At the beginning of the 1930s, one-quarter of the doctors practicing Western medicine in the country were Burmese.[33] But the broad point stands. To a striking extent, the subordinate positions in the modern institutions and concerns introduced to Burma under British rule—the steam-powered rice mills, oil rigs and oil refineries, trading houses, banks,

[29] Furnivall, *Colonial Policy and Practice*, 119–20.

[30] A medical school was established in 1907 to train Burmese medical subordinates (until the early 1920s, Burmese wishing to become doctors had to train in India). But the staff and atmosphere in the medical school—and in the hospitals in which the trained subordinates might hope to find employment—were overwhelmingly Indian and consequently relatively few Burmese ventured to apply. Furnivall, *Colonial Policy and Practice*, 120, 126.

[31] Corley, *A History of the Burmah Oil Company*, vol. 1: *1886–1924*, 149–50.

[32] Robert H. Taylor, *The State in Myanmar* (London, 2009), 139.

[33] Ibid., 140.

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hospitals, prisons, the vast colonial administration itself—were filled not by Burmese but by Indians. These subordinate positions were mainly filled by the unskilled and low skilled—the rice-mill laborer, the office peon—but the skilled and highly skilled were represented as well—engineers, oil-field drillers, doctors, jailers, and prison superintendents. In other words, the process of building the skilled manpower needs of an expanding colonial administration and a growing export economy by recruiting substantial numbers of Burmese, and equipping them with the training and experience necessary for running a modern economy and society, were substantially weakened. Too often, the need for trained workers was met elsewhere.

Burma's colonial economy was swept away—obliterated—as the Japanese drove out the British in the early months of 1942. Much of Burma's industrial plant and transport infrastructure was destroyed, and often the destruction was deliberately self-inflicted. In March and April 1942, first the oil refineries at Syriam, across the river from Rangoon, and then the producing wells in central Burma were destroyed by the companies' own staffs, in order to deny Burma's oil to the Japanese. The destruction was precisely, if hastily, prepared and executed, and was carried out on the orders of the authorities.[34] The British departing from Rangoon also put out of action the city's electricity-generating station, reduced the warehouses in the port to ruins, and dynamited the loading cranes on the docks.[35] Three years later, the retreating Japanese carried out their own "scorched earth" operations. Extensive damage was also caused, particularly to Burma's transport infrastructure, by allied aerial bombing. Little was left standing. The war completely destroyed Burma's oil-producing and refining capacity.[36] The Burmese railway lost 320 of its 354 locomotives, seven thousand of its nine thousand goods wagons, and almost all of its one thousand passenger coaches. Two hundred major bridges were damaged, and over three hundred miles of track and one million sleepers—the timber beams that supported the track—were torn up. The rest of the rail network received no maintenance during these years and was in an extremely poor condition by the end of the war. The Irrawaddy Flotilla Company's prewar

[34] For a detailed account of these "denial" operations, see Corley, *A History of the Burmah Oil Company*, vol. 2: *1924–1966*, ch. 3.

[35] Maurice Collis, *Last and First in Burma (1941–1948)* (London, 1956), 116.

[36] Government of Burma, Public Works and Rehabilitation Department, "Answers to Questionnaire: A Brief Summary of War Losses and Their Effects," no date [but apparently December 1946]; Burma Office, "Devastation in Burma," no date [but August 1946]; United Nations, Economic and Social Council, Reconstruction of Devastated Areas Working Group for Asia and the Far East, "Country Studies: Burma," Feb. 1947: each in India Office Library and Records, M/4/689.

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fleet—over six hundred vessels—was almost completely lost. The Rangoon marshaling yard and the Rangoon docks were in ruins.

In addition, the war finally broke the Indian presence in Burma, already seriously weakened in the 1930s.[37] As the British administration disintegrated before the Japanese advance in the early months of 1942, well over half the Indian population, estimated at in excess of nine hundred thousand on the eve of the war, fled Burma for India.[38] Many left by sea, crammed onto all too few ships. But far more sought to escape over land, traveling up through northern Burma and across into Assam. Conditions were appalling: perhaps as many as eighty thousand of those seeking to reach India died of exhaustion, malnutrition, or disease.[39] After the war, many Indians would return to Burma to rebuild businesses, reclaim properties, and resume lives. But in the vastly changed political circumstances, the Burmese would not allow them to reclaim the powerful economic position they had occupied under the British and had then abandoned when they fled in early 1942.

British wartime planning for postwar Burma determined that, for perhaps the best part of a decade, the reestablished British administration would focus on economic reconstruction and the restoration of stability, and would turn to politics and Burma's advance to self-government only when those initial tasks were nearing completion. But the returning British—after taking Rangoon in early May 1945 and restoring civilian government in the following October—quickly discovered that the Burmese were set on a rapid transition to independence and, moreover, had the capacity to make Burma nearly ungovernable in pursuit of that ambition. When colonial rule came to an end on January 4, 1948, much earlier than the British had first anticipated, economic reconstruction was far from complete. Moreover, the social order was highly unstable; indeed, lawlessness was rife. In addition, core political issues—the constitutional and political position of the frontier peoples, notably the Karen, and the consequences of the expulsion of the communists from the Anti-Fascist People's Freedom League (AFPFL), which had led Burma to independence—were unresolved. At independence, Burma was a barely functioning state.[40]

[37] In addition to the serious damage suffered by Chettiar business as Burmese cultivators defaulted on their loans at the beginning of the decade, Indian labor faced strong competition from Burmese as economic conditions worsened in the depression. The tension between the two erupted into serious communal rioting in Rangoon in mid-1930.

[38] For the Indian population of Burma in 1941, see Nalini Ranjan Chakravarti, *The Indian Minority in Burma: The Rise and Decline of an Immigrant Community* (London, 1971), 15.

[39] Christopher Bayly and Tim Harper, *Forgotten Armies: the Fall of British Asia, 1941–1945* (London, 2004), 167–70, 181–90.

[40] From an extensive literature on these years, see John F. Cady, *A History of Modern Burma* (Ithaca, N.Y., 1958), part 4; Collis, *Last and First in Burma*; Bayly and Harper, *Forgotten Wars*, chs. 2, 5, 6, 7, and 9 *passim*.

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A central ambition of Burma's new government, an AFPFL administration under U Nu as prime minister, was to assume state ownership of a number of economic assets and activities that, under British rule, had been dominated or monopolized by foreign interests. In June 1948, the government took over both the Irrawaddy Flotilla Company and the forest concessions, sawmills, and timber yards of the foreign teak firms—the Bombay Burmah Trading Corporation, MacGregor, T. D. Findlay, Foucar, and Steel Brothers.[41] From the early 1950s, both the internal trade in rice and the export of the crop came entirely under the State Agricultural Marketing Board, excluding the foreign merchants, traders, and dealers who had long dominated the sector.[42] Again, in 1948, legislation was introduced to nationalize agricultural land, the aim being to reclaim the vast tracts that, under British rule, had passed from the possession of Burmese cultivators into the hands of major landlords, notably the Indian Chettiars.[43] And finally, in 1954 the Burmese government invested substantially in a joint venture with the oil companies, notably Burmah Oil. Earlier, it had established a joint venture with the Burma Corporation, a mining concern.[44] It is important to add that while the economic reach and ambition of the state were clearly much extended in this first decade of independence, individual ownership and enterprise remained extensive. At the beginning of the 1960s, the major part of the country's agricultural production, and more than half of its trade, were in private hands, although more regulated by the state than they had been before.[45]

Even as late as the early 1960s, more than a decade after independence, real per capita income and consumption remained substantially below the levels of the late 1930s. Rice production too fell substantially short of its late 1930s level.[46] In other words, far from bringing prosperity, independence failed even to restore real incomes to the levels achieved by the late colonial state. In part, this failure is explained by the severity of the fall in real income during the war—the road to recovery was long—and by the fact that, in the years immediately after independence, production, trade, and government administration were severely disrupted by communist and ethnic insurrections. But in addition, misjudgments in the government's economic strategy—such as its

[41] Hugh Tinker, *The Union of Burma: A Study of the First Years of Independence* (London, 4th ed., 1967), 94–95.

[42] Ibid., 258–59.

[43] Ibid., 95–96, 238–45. In fact, the 1948 Land Nationalization Act was a dead letter and more carefully constructed legislation was introduced in 1953; even so, in the first years, implementation—the redistribution of land—was slow.

[44] Tinker, *The Union of Burma*, 114–15.

[45] Taylor, *The State in Myanmar*, 255–56.

[46] From Myat Thein, *Economic Development of Myanmar* (Singapore, 2004), 17, 35.

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suppression of the domestic price of rice, which undoubtedly retarded the growth in rice production—and an acute shortage of trained and experienced officials to administer and manage the economy, substantially weakened Burma's economic performance during this period.[47]

On March 2, 1962, the civilian government under U Nu was removed through an army coup led by General Ne Win. The coup was driven both by the army's concern, shared by others, that U Nu's recent political initiatives toward the Arakanese, Shan, and Karenni might in time undermine Burma's unity as a nation—by inviting secession and foreign intervention—and by the perception that Burma's parliamentary democracy was being abused by politicians tied to landlords and capitalists seeking personal gain rather than the public good.[48] In the month following the coup, the new military government published a major policy statement, "The Burmese Way to Socialism," establishing its economic, political, and societal ambitions. Its central economic goal was self-reliance, which would be accomplished through disengagement from the outside world, the imposition of state control and command, and thorough Burmanization. These policies would involve, inevitably, the removal of the last foreign interests.[49] Burma would become a socialist autarky.

In January 1963, the Burmese government bought out Burmah Oil's interest in the joint venture that had been created in 1954, ending the company's long presence in Burma.[50] The following month, all of Burma's private commercial banks, including the fourteen foreign banks —the Chartered, Mercantile, the Hongkong and Shanghai among them —were nationalized and reconstituted as serially numbered People's Banks.[51] In this same period, the Burma Corporation, the Bombay Burmah Trading Corporation, the local subsidiaries of Unilever, British Oxygen, the British Match Corporation, and Imperial Chemical Industries, together with large numbers of more modest Indian, European, and Chinese enterprises, were taken over or harried into withdrawing from Burma. Burmese enterprises, too, were nationalized. By the early 1970s, all significant economic activity, except agriculture, small-scale businesses, parts of the retail trade, and river and road transport, had been brought under state ownership.[52] And even that much-diminished

[47] Ibid., 23–24, 33–34. Tinker, *The Union of Burma*, 120, 258–59, 269–71, provides details on incompetence, mismanagement, and malpractice in the State Agricultural Marketing Board.

[48] Taylor, *The State in Myanmar*, 293–94.

[49] Myat Thein, *Economic Development of Myanmar*, 52–53.

[50] Corley, *A History of the Burmah Oil Company*, vol. 2: *1924–1966*, 255–71.

[51] Turnell, *Fiery Dragons*, 224–28. The Chartered Bank became People's Bank No. 2, the Hongkong and Shanghai, People's Bank No. 9.

[52] Myat Thein, *Economic Development of Myanmar*, 52–53.

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private sector—including the cultivator, the workshop proprietor, the trader, the boat owner—faced a battery of physical commands and price controls. Burma had become an extreme socialist control-command economy.

In the first decades of military rule, a period during which a number of the country's Southeast Asian neighbors vigorously and successfully pursued the strategy of industrial export-led growth, Burma retreated from the world economy. Imports were the equivalent of 19 percent of its gross domestic product (GDP) in 1960 but came to represent a mere 2 percent in 1981. In the same period, exports fell from the equivalent of 20 percent of GDP to 9 percent.[53] Rice exports—over three million tons a year in the 1930s—slumped from 1.6 million tons in 1962–63 to 0.64 million tons in 1966–67.[54] In this first decade, the new military government rejected inward investment by foreign companies and avoided large-scale foreign aid and large-scale foreign borrowing. But then, from the mid-1970s, it began to borrow substantially, at concessionary rates, from multilateral sources, and, for example, from Japan, although given Burma's weak export position, repayment would in time become a major problem.[55]

There can be little doubt that the strategy of economic self-reliance —disengagement from the outside world—seriously undermined the performance of Burma's economy in this period.[56] In the first place, Burma was denying itself access to external capital to invest in strengthening its infrastructure and increasing its productive capacity. When the country did later seek external capital, it was constrained by its limited capacity to service foreign debt. In addition, the strategy of self-reliance, by definition, denied Burma the possibility of growth through export expansion, in long-established primary commodities, notably rice, or in newly established manufactures. More fundamentally, economic self-reliance could not be achieved, paradoxically, unless the country engaged more actively with the outside world, for even inward-focused growth created by investment of domestic resources drew in, and was dependent upon, imports of raw materials, industrial plant, machinery, and expertise. Restriction of imports, which was unavoidable, given the country's poor export performance and unwillingness to access foreign capital, inevitably retarded growth. And finally, these contradictions

[53] Taylor, *The State in Myanmar*, 345. The first calculation is for legal imports—officially recorded imports. Taylor suggests that in this period, illegal imports were equal to between one-third and two-thirds of legal imports.

[54] Myat Thein, *Economic Development of Myanmar*, 55.

[55] Taylor, *The State in Myanmar*, 344.

[56] The annual average growth of GDP between 1966 and 1969 was 2.2 percent, and between 1970 and 1973, just 1.3 percent—although it was higher in other parts of those decades. Myat Thein, *Economic Development of Myanmar*, 55.

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in the government's economic strategy periodically created severe crises in Burma's external accounts, such as vanishing foreign reserves and a soaring debt-service to export-earnings ratio. These crises were met by imposing tight restrictions on imports, cutting government expenditures, and, from the mid-1980s, printing money to finance the budget deficit, each step leading to further expansion of the black market, inflation, and, finally, to demonetization of the currency, the *kyat*.[57] Growth was thus further slowed. Indeed, in the late 1980s, the economy contracted.

The military regime's strategy for the agricultural sector, which accounted for half of GDP in this period, was also seriously misjudged.[58] While there was a substantial supply of high-yielding seeds and chemical fertilizers in the 1970s and 1980s, agriculture received a low and diminishing proportion of state investment over this period. Moreover, the provision of credit to cultivators was severely inadequate, not only in its scale but also because of the inefficient, and frequently perverse, processes though which farmers secured loans.[59] And finally, the government kept the prices for its compulsory purchase of agricultural production—notably rice—low and unchanged for years on end as other prices rose.[60] The result of low investment, insufficient credit, and low procurement prices was an agricultural sector marked by weak incentives, poor productivity, and, for much of the decades, stagnant output.

A further critical weakness in the military regime's management of Burma's economy was its lack of sufficient personnel to run a command-control economy efficiently and effectively—setting aside the issue of whether such an economy can ever be run efficiently and effectively.[61] In the mid-1980s, Burma's state-owned industries utilized, on average, less than 60 percent of their capacity.[62] The main constraint was the shortage of foreign exchange to import raw materials and spare parts. But more broadly, often unqualified and inexperienced managers and desk-bound officials struggled and failed to align industrial inputs, production capacity, maintenance schedules, manpower allocation, and consumer needs. Elsewhere, "desk-bound amateurs" (the economist Myat Thein's phrase) directed cultivators, the "professionals," to grow

[57] Myat Thein, *Economic Development of Myanmar*, 66, 79–80.

[58] This paragraph draws on ibid., 60–62, 87–98.

[59] See also Turnell, *Fiery Dragons*, 240–46.

[60] The government's aim was to keep down the cost of living.

[61] As noted earlier, British rule had failed to create a substantial core of Burmese with the training and experience essential to the running of a modern economy and society. But in addition, following the coup of March 1962, the military purged the bureaucracy of its elite, older Burma Civil Service personnel, reducing still further the state's inadequate managerial resources. Steinberg, *Burma/Myanmar*, 66.

[62] Myat Thein, *Economic Development of Myanmar*, 106–9.

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specified crops and told them when, where, and how they should do so—frequently with catastrophic consequences.[63] New factories were sited in remote areas, far from both the sources of their inputs and the markets for the finished products.[64] Failures in economic management extended beyond the operational and, as described above, the strategic, into specific policies. To take just one example: in 1963 a Farmers' Rights Protection Law provided an amnesty to cultivators who were in arrears on government loans.[65] But the cultivators interpreted the provision as relieving them of the requirement to repay the new loans then being provided under an expanded rural credit program recently introduced by the new military government. The result was large-scale default that, adding to other pressures, greatly reduced the funds available for further lending.

Burma's economic failure was both reflected in, and reinforced by, the presence of a vast and vigorous black market.[66] The black market reflected that failure by providing the consumer goods—from the mundane to the luxurious—that the formal economy so often could not produce. And it reinforced failure by fatally distorting the regime's planned allocation of resources, production, and consumption. In 1987, acknowledging its near bankruptcy, the government asked the United Nations lending institutions to classify Burma as a "least developed country."

Burma's Colonial Inheritance

It was of course common, although far from inevitable, for the newly independent nations of Asia and Africa in the 1940s, 1950s, and 1960s to reject the colonial economic structures that, they felt, had long oppressed them. The foreign merchant houses, trading companies, banks, factories, refineries, mills, shipping lines, mines, and plantations that had so dominated the economy under colonial rule were nationalized, expropriated, excluded, or regulated and restricted. The entrepreneurial minorities—Chinese, Indians, Arabs—who had dominated trade and moneylending in colonial times were expelled, squeezed out, or curtailed. Industry and manufacturing were expected to break the colonial stranglehold of commodity production and trade. The state would replace, or at least temper, the market. Burma pursued that orthodoxy in

[63] Ibid., 90–91, 119n1.

[64] With little concern for the economics of location, the aim was to stimulate the development of backward regions: Myat Thein, *Economic Development of Myanmar*, 105, 120n6.

[65] Turnell, *Fiery Dragons*, 234.

[66] Myat Thein, *Economic Development of Myanmar*, 80–81. Estimates of the value of the black market in the mid-1980s range from 50 percent to 85 percent of the value of official trade.

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the first decade or more of independence but stood out for the ferocity with which it rejected its colonial economic structures.

One explanation for this extreme reaction would be that the economic structures of colonial Burma were exceptionally disadvantageous to the Burmese, or were seen by them as such. If this was the case, the exceptionality did not lie in British firms' commandeering of the colonial economy or in Burma's heavy specialization in primary production and trade—for these were commonplace events in the colonial world—but it derived instead from the near total exclusion of the Burmese from the modern economy, except, of course, as cultivators of rice. Thus Burmese entrepreneurial initiative did not stretch much beyond the rice field, and among the large-scale enterprises of Burma's modern colonial economy, none was Burmese. Moreover, relatively few Burmese were employed in the large-scale modern commercial enterprises brought to the country by colonial rule or in the government services. To a striking extent, the subordinate positions in the modern institutions and enterprises introduced to Burma under British rule were not filled by Burmese but by Indians. And of course, in those endeavors where the Burmese did engage with the modern world—in the cultivation of rice for export—by the final complete decade of British rule, they were left impoverished, debt-ridden, and landless, as Furnivall's description quoted earlier made clear.

The ethnic and economic segregations imposed by colonial rule left the independent state with an inadequate workforce of Burmese, unequipped with the training and experiences essential to running a modern economy and society. But Robert Taylor has argued that the colonial-era segregation also had a profound and comparably damaging impact on Burmese perceptions of the modern world. His argument evolved from Furnivall's observation, made in the late 1940s, that the influx of Indian immigrants into Burma under British rule, which resulted in their domination of Burma's modern commercial and administrative structures, confined the Burmese to the rice fields and "erected a barrier between Burmans and the modern world that has never been broken down."[67] Taylor comments that the barrier identified by Furnivall "is crucial for understanding the extremely strong character [the ferocity] of Burmese nationalism."[68] But more interestingly, he argues that, as a result of the barrier, or more precisely of their position on the wrong side of the barrier, "most Burmese saw modernity [controlled by foreigners] as the key to the means of their exploitation [at the hands of those foreigners]."[69] Thus in their increasingly determined pursuit of

[67] Furnivall, *Colonial Policy and Practice*, 46.
[68] Taylor, "Disaster or Release?" 53.
[69] Ibid., 53.

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a socialist autarky, Burma's political leaders, including the civilians in the 1950s but in particular the military after 1962, destroyed the barrier by removing those who occupied the other side of it: foreign commercial interests were nationalized, squeezed out, or expelled, and external capital was rejected. Most observers, and perhaps most present-day Burmese, see this destruction as the cause of Burma's economic failure and bankruptcy. But Taylor argues that, to earlier generations of Burmese emerging from the colonial experience, the destruction was not the cause of economic disaster but was an act of release from the colonial structures that had long ruthlessly exploited them.[70]

At this point, it would be well to pause: after all, during the colonial period, virtually every territory in Southeast Asia experienced substantial immigration of Indians or Chinese who dominated the modern economies, and, as occurred in Burma, relegated the local populations to cultivation. But the newly independent states did not invariably reject the colonial economic structure; and nowhere in Southeast Asia was it rejected with the sustained ferocity seen in Burma.[71] For example, British Malaya experienced exceptionally high levels of both Chinese and Indian immigration, such that, at the beginning of the 1930s, Chinese accounted for 41 percent and Indians 22 percent of the population in the Federated Malay States, the states occupied by the modern colonial economy.[72] The Malays accounted for 35 percent. Chinese and Indian laborers worked, respectively, in the tin mines and on the rubber plantations; Chinese and Indians dominated much of internal and external trade and the provision of credit; and, as in Burma, Indians were prominent in the government services. And the British colonial administration erected a barrier between the Malays and this modern world. Most prominently, in numerous ways, the colonial administration sought to discourage, indeed prevent, the Malays from cultivating rubber as a smallholder crop, thus confining them to their traditional subsistence economy, away from the market.[73] Yet when Malaya became independent—with a constitutionally secured Malay political dominance—in 1957, there was no fierce rejection of the colonial economic structure. Rather, that structure's most serious failure, the economic retardation of the Malays, was addressed by a major redistribution of ownership and opportunity that favored the Malays, while the market

[70] Ibid., 56–57.

[71] Even communist Vietnam came to embrace a "socialist-oriented market economy" and re-establish relations with the capitalist world economy.

[72] Calculated from Lim Teck Ghee, *Peasants and their Agricultural Economy in Colonial Malaya, 1874–1941* (Kuala Lumpur, 1977), 245.

[73] For British policy and practice toward Malay smallholder cultivation of rubber, see Lim, *Peasants and their Agricultural Economy in Colonial Malaya*.

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economy was retained with a high degree of external integration. The colonial inheritance was not rejected: it was reworked.[74]

Undoubtedly, many circumstances shaped the economic strategies pursued by Malaya after independence. I will focus on just two that provide, I believe, a valuable comparison with Burma. The first was that Chinese and Indian domination of the modern economy in colonial Malaya was not complemented by the political presence of China and India. Neither China nor India significantly influenced the pace or direction of colonial Malaya's political path to independence. In strong contrast, India had a huge political presence in Burma from the beginning of colonial rule in the 1820s, indeed even earlier, until the country's independence in 1948. In brief, the British need to secure the eastern border of India and its approaches against, first, the Burmese themselves and, later, against possible French intervention was perhaps the principal factor in the imposition of British rule on Burma in the nineteenth century. On the completion of the British advance in Burma—the conclusion of the final Anglo-Burmese war in 1885—Burma became not a crown colony under the direct authority of London but simply a province of British India, holding the same constitutional status as, for example, Bengal or the United Provinces. It remained a province of British India, an integral part of its structures, until 1937. In crucial respects, constitutional advance in Burma in the final decades of British rule was tied to the constitutional advance in India "proper." Indeed, Burmese nationalist concern in the 1920s and 1930s that separation from British India, desirable on so many grounds, might then slow Burma's constitutional progress was yet a further demonstration of India's huge political presence. And finally, it could well be argued that India dragged Burma into the Pacific War, subjecting it to three years and more of destruction and devastation, for in attacking British-ruled Burma, the Japanese were, of course, striking toward British India.[75]

This is not simply to argue that, by the end of British rule, the Burmese had good reason to be anti-India or anti-Indian.[76] The point I am making is much broader. By the end of British rule, the Burmese had good reason to fear the destructive impact of the far more powerful, and

[74] For a fine survey of the modern economic history of Malaya (Malaysia since 1963), see John H. Drabble, *An Economic History of Malaysia, c.1800–1990: The Transition to Modern Economic Growth* (New York, 2000).

[75] For the modern history of Burma, see the following: John F. Cady, *A History of Modern Burma* (Ithaca, N.Y., 1958); Thant Myint-U, *The Making of Modern Burma* (Cambridge, U.K., 2001); Thant Myint-U, *The River of Lost Footsteps: Histories of Burma* (London, 2007); Michael W. Charney, *A History of Modern Burma* (Cambridge, U.K., 2009).

[76] Of course they did, not only for the reasons outlined immediately above but also because of the dispossession of the Burmese rice cultivator by the Chettiars in the 1930s. Anti-Indian riots in 1930 and 1938 were a major measure of Burmese feeling.

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threatening, external world. They had a sense of vulnerability, made still more pronounced by the severe internal divisions of the first decade of independence—the communist rebellion and the ethnic insurgencies—that often raised the prospects of external intervention and disintegration of the new state.[77] This is the broad political-historical context for understanding, first, the openness of the modern colonial economy and its domination by Indian and British capital and, then, the determination of the Burmese military in the 1960s and 1970s to rid Burma of its Indian and British interests and to create a socialist autarky. With the outside world excluded, Burma would, at last, control its destiny.

The second circumstance that shaped the economic strategies pursued by Malaya after independence, providing a valuable comparison with Burma, is that, at the end of British rule, the Chinese and Indians were still present and occupying a dominant position in the modern economy. They had not returned in substantial numbers to China or India, nor would they do so. In other words, in independent Malaya, the Malays had little choice but to construct an economic accommodation with the Chinese and the Indians, and, indeed, the Chinese and Indians themselves had little choice but to accept an accommodation with Malay economic aspirations. In contrast, in Burma at the point of independence, the Indian presence was hugely weakened. The economic position of the Indians had deteriorated in the 1930s, when the collapse in rice prices during the depression and the subsequent defaults by vast numbers of cultivators had frozen much of the Chettiars' lending business, and when growing racial hostility had begun to dampen Indian immigration.[78] But the critical break came in late 1941 and early 1942, when well over half the Indian population fled Burma for India ahead of the advancing Japanese, thereby abandoning their economic position.[79]

In the opening section of this article, I established that subordinate positions in the modern institutions and enterprises of colonial Burma were largely filled by Indians. I also established that the domination of the modern colonial economy by Indian—and British and

[77] Here it might be noted that, through the 1950s, Kuomintang forces, defeated in China's civil war, occupied a major part of Burma's Shan State. They were supported not only by Taiwan "but surreptitiously by the United States through the Central Intelligence Agency." Steinberg, *Burma/Myanmar*, 45–46.

[78] There had been racial riots in Rangoon in 1930 and 1938. See Cady, *A History of Modern Burma*, 303–7, 393–95. For the cultivator's default, foreclosure, and the Chettiars during the depression, see Brown, *A Colonial Economy in Crisis*, ch. 3.

[79] The Burma census of 1953 reported the number of persons of Indian origin in urban areas at around 287,000—including 140,000 in Rangoon. There was no figure for rural areas. In the 1931 census, the Indian population—for Burma as a whole—was reported as 1,017,825. Nalini Ranjan Chakravarti, *The Indian Minority in Burma: The Rise and Decline of an Immigrant Community* (London, 1971), 186, 15.

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Chinese—capital and entrepreneurship confined Burmese enterprise largely to the rice fields. In the next section, I pursue a paradox and argue that the retreat of Indian capital from Burma in the 1940s denied the opportunity for a Burmese entrepreneurial cadre to emerge in the first decades of independence, thereby closing off one possible economic strategy for the new state.

The Missing Burmese Entrepreneur

The critical point—"turning point" would not be the appropriate phrase—in the history of Burma's economy since independence came as the military took power in 1962. In the preceding decade, Burma—but also many other newly independent states—had pursued a strategy of import-substituting industrialization. By the 1960s, it had become evident that this strategy was flawed. Stagnating exports (because the export sector was being neglected) and rising imports (to provide raw materials and machinery for the expansion of import-substituting industry) created balance-of-payments crises, and these were met in part by import restriction and cuts in government expenditure, which reduced investment, slowed growth, and pulled back exports still more. At this point, a number of countries—prominently Thailand and Indonesia within Southeast Asia—abandoned the import-substituting industrialization strategy and sought growth through an expansion in exports, fueled by an increase in foreign direct investment. In this way, they were able to catch an upward spiral of increasing exports, healthy balance-of-payment and budget positions, increased investment, higher growth, and further export expansion.[80] But Burma did not change direction. Indeed, the new military government ferociously reinforced the established inward-looking strategy. It took a failed approach and worked it harder. The result for Burma was bankruptcy.

In earlier paragraphs, I explored the perceptions—the Burmese understandings of Burma's colonial experience—that, it might be said, drove Burma's military in that direction. It is also possible that there were specific political circumstances. For example, Myat Thein notes that, although members of the Institute of Economics in Rangoon had been critical of the government's inward-focused economic strategy and had argued for export-driven growth, they were "way out on the periphery of the ruling hierarchy."[81] More broadly, perhaps the military rulers were not willing to change direction because a socialist autarky that

[80] This summary draws heavily on Myat Thein, *Economic Development of Myanmar*, 58–59.

[81] Ibid., 59.

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permitted no significant economic interest outside the state reinforced their political dominance and created greater opportunities for self-aggrandizement. But there was one further important consideration. If it could be assumed for the moment that the Burmese understanding of the colonial experience and the military's political calculations were both set aside—admittedly huge assumptions—to allow the Burma of the 1960s to pursue a strategy of export-led industrialization, fueled by foreign direct investment, a critical issue still remains. In 1960s Burma, where were the local economic interests—the individuals and institutions—that would have been a critical element in this alternative strategy? Where were the local Burmese partners for the foreign joint ventures that would have driven export-led industrialization, as occurred in Thailand and Indonesia? For without them, the strategy was simply not feasible. In brief, where was the Burmese entrepreneur? And, as a parallel question, a counterfactual proposition: in which respects, and to what degree, would the strategic options for Burma's economy in the 1950s and 1960s have been different if the Indians had not left in the 1940s?

The answer to the first question is, of course, that there was no significant Burmese entrepreneurial class at the beginning of the 1960s.[82] As an appendix to the fourth edition of his book, *The Union of Burma*, published in 1967, Hugh Tinker provided brief biographical notes on prominent "Men and Women of Burma" in the years since independence. Of the 103 individuals covered, just six had business interests, and, of these, just two were clearly major business figures: Mya [Henzada], "leading industrialist and capitalist, [and chairman,] Burmese Chamber of Commerce"; and Sir U Thwin, "wealthy rice-mill owner and landlord."[83] The reasons for the failure of any significant Burmese entrepreneurial endeavor, beyond the rice field, to emerge during the decades of British rule have been enumerated above. But the first decade or so of independence also provided few opportunities for the Burmese entrepreneur. Severe political and social unrest and a still-damaged transport infrastructure were not conducive to business growth. In addition, the extension of state ownership inevitably reduced the openings for private initiative, although it should be noted that the government began a modest program of loans "to Burmese citizens for private business" in the mid-1950s.[84] And those few Burmese in that period who did have surplus capital invested it not in long-term production

[82] "No significant bourgeoisie existed in Burma." Taylor, *The State in Myanmar*, 302.

[83] Tinker, *The Union of Burma*, 389–400. In considering the low number of business entries, allowance might have to be made for the possibility that Tinker was more interested in politics and administration.

[84] Frank N. Trager, *Building a Welfare State in Burma, 1948–1956* (New York, 1958), 117.

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but, notably, in building houses to rent to wealthy foreigners, cinemas, garages, and car firms.[85]

And then there is the parallel question, the counterfactual: in which respects and to what extent would the strategic options for Burma's economy in the 1950s and 1960s have been different had the Indian business community, so important before the war, still been present in strength, instead of fleeing in such large numbers as the Japanese attacked in the early 1940s? This is a huge counterfactual proposition but the possibilities are interesting to consider. It must be assumed that, after 1948, Burma's new government would still have imposed tight restrictions on Indian economic activity, reflecting the strength of Burmese nationalism and Burmese determination to break the near-complete domination of the colonial economy by foreign interests. But given the possible, assumed scale and location of the Indian population —approaching a million, a major proportion in Rangoon—and, crucially, the premise that the substantial community of Indian entrepreneurs remained in physical possession of their business concerns, the Burmese restriction of Indian interests would likely have fallen short of the most extreme measures—that is, expropriation and expulsion. In other words, an accommodation would have been reached between Burmese and Indian interests. It would not have been an essentially equal accommodation, such as took place after independence in Malaya (Malaysia from 1963) between the Malays, on the one hand, and the Chinese and Indians, on the other. The Chinese and Indian populations in Malaya were much more substantial than the assumed Indian population in Burma and, unlike the Burmese, the Malays did not reject the colonial economic structure. The critical point is that an accommodation, no matter how unequal, implied a continued Indian entrepreneurial presence in the Burma of the 1950s and early 1960s.[86]

That in turn would have broadened the strategic options for Burma's economy. In the first place, an Indian business community, even one substantially reduced in scale and certainly constrained, would have offered experienced and knowledgeable partners for Burmese enterprise that was pushing into sectors of the economy previously dominated by foreign interests. Indeed, that process could have been forced by making it a requirement that Indians acquire Burmese partners if they wished to remain in business in Burma: it would have been part of the accommodation. An Indian business community could also have offered experienced and knowledgeable partners for foreign capital seeking joint ventures, of course in the event that Burma did seek growth

[85] Tinker, *The Union of Burma*, 303.

[86] The reality should be noted: after the March 1962 coup, the military expelled a further 200,000 Indians. Steinberg, *Burma/Myanmar*, 73.

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through an expansion in exports, fueled by foreign direct investment. More broadly, a continued—immovable though constrained—Indian entrepreneurial presence in the 1950s and 1960s might well have tempered the isolationist and statist ambitions of Burma's political leaders. That too would have been part of the accommodation.

The argument I am advancing here might be put in two further, slightly different, ways. The military regime that came to power in 1962 was able to drive toward a socialist autarky—and bankruptcy—as no substantial economic interests stood in its path. Alternatively, the military regime that came to power in 1962 was forced to proceed toward a socialist autarky because, in the absence of a substantial outward-looking Burmese and/or Indian entrepreneurial community, it had no alternative strategic option.

Conclusion

A recent comparative study of colonial economic structures and their legacies across East and Southeast Asia by Anne Booth concludes with the following comments on the failed economic strategy pursued by the military in Burma from the early 1960s.

> [It does not] seem plausible to blame the failure to sustain rapid economic growth under Ne Win [Burma's military leader] . . . on the British . . . colonial legacy . . . Had [Ne Win] had different policy priorities, [he] could have produced sustained growth, as Suharto was able to do in Indonesia and Park in South Korea. That [he] did not follow growth-promoting policies was a reflection of [his] own personality and predilections; other [Burmese?] leaders could well have chosen different policies, with different results, not just for economic growth but also for the welfare of their citizens.[87]

In this article, I have described the modern Burmese economy's colonial inheritance as taking two principal forms. In the first, Burmese perceptions of the colonial economic structure shaped the economic perspectives and ambitions of the independent state. Put briefly, emerging into independence, the Burmese fiercely rejected the economic structures of British rule, and they had good reason to do so. That rejection can be seen most clearly in the final expulsion of foreign interests and disengagement from the external economy in the 1960s and 1970s. In other words, the "predilections" of the Burmese military for state domination of the economy and economic isolation were shaped by their understanding of Burma's colonial economic experience. This was a

[87] Anne E. Booth, *Colonial Legacies: Economic and Social Development in East and Southeast Asia* (Honolulu, 2007), 204.

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colonial legacy. However—and this point is crucial—predilections and the influences that shape them do not have to be obeyed. As an intellectual process, it was open to the Burmese military in the 1960s to choose a different economic strategy with different results. In brief, while the Burmese understanding of the colonial economic structure can clearly be seen in the final expulsion of foreign interests and disengagement from the external economy, that colonial inheritance did not make the strategy of socialist autarky inevitable from the early 1960s. The legacy of perception was open to rejection.

The second form of colonial inheritance was far more difficult to escape. Colonial rule left Burma without a substantial nucleus of Burmese with the training and experience essential to running a modern economy and society and, the critical point here, without either a Burmese entrepreneurial class or an entrenched Indian business community. As a result, Burma did not have the option of pursuing export-led growth driven by inward investment, once the failures of state-commanded import-substitution industrialization had become apparent. The strategy of socialist autarky thus became inevitable. Central to this colonial inheritance were the Indians, in closing off opportunities for the Burmese to establish themselves as entrepreneurs during the colonial period, beyond the rice field, and then withdrawing their capital, enterprise, and experience just as Burma was regaining its political freedom. For Burma's economy in the second half of the twentieth century, the damaging, inescapable, colonial inheritance was both Indian economic domination during the decades of British rule and, paradoxically, the Indian flight as colonial rule came to an end.

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