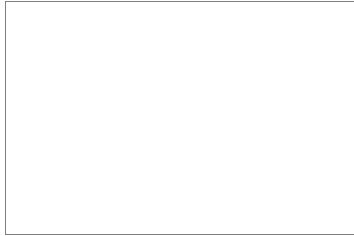


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A COUNTRY REPORT ON
BURMA
TO THE
SPECIAL AD HOC COMMITTEE
BY THE
SUBCOMMITTEE FOR THE NEAR AND MIDDLE EAST

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Reference: SWN-5278BURMABACKGROUND

I. ANALYSIS OF THE SITUATION IN BURMA.

1. Basic Forces

A. Political

Burma's present Interim Government which was established as a result of the Anglo-Burmese London agreement of January, 1947 has as its legal basis Section 139 of the Government of Burma Act, 1935 (a section which permits the Governor in an emergency to assume most of the powers of the Government of Burma). The Interim Government has in practice, however, by consent of the British virtually full autonomy. It is headed by Aung San who is also head of the Anti-Fascist Peoples' Freedom League (AFPFL), members of which hold all the portfolios in the present government.

An election was held on April 9, 1947 in which the AFPFL won 191 of a total of 210 seats in the Constituent Assembly, the body responsible for framing Burma's new constitution. Of the remaining 19 seats the Communists won 7 and non-party candidates 12. These results indicate that the AFPFL is by far the strongest political party in Burma although the League's popular support is doubtless not as great as its success at the polls would suggest.

The League, whose position is moderately left of center, is opposed from both the left and the right. The opposition from the right consists of a loose coalition of prewar parties headed by old-line politicians. These parties have very little popular support, no positive program, and are united only by their dislike of Aung San and the AFPFL. They constitute no threat to the continuance of the League's power. From the left the AFPFL is opposed by Burma's two Communist parties:

- 1 -

S E C R E T

S E C R E T

The Burma Communist Party (the "White Flag" Communists) headed by Than Tun and Thein Pe', and the Communist Party (Burma) (the "Red Flag" Communists) headed by Thankin Soe. The latter party which is the more extreme has been banned, but continues an active existence underground.

The relations between the League and the "White Flag" Communists are somewhat obscure. There have from time to time been rumors and other indications of a possible rapprochement between the Burma Communist Party and the AFPFL ever since the two separated in October, 1946, but despite the fact that there is some personal contact between Aung San and Than Tun the breach between the League and the Communists has tended to widen. It is reported that Aung San has recently been threatening to extend the ban against the Communist Party (Burma) to the "White Flag" Communists.

Although there is no proven direct contact between Burmese Communists and the USSR, the Burma Communist Party may be presumed to be in fairly close touch with the Communist Party of India because of the fact that the Burmese Communist newspapers faithfully reflect the International Communist Party line. Than Tun has been accused of taking orders from Joshi, the General Secretary of the Communist Party of India. This seems likely and there can be no doubt that the Burmese Communists draw inspiration, advice and moral support from their comrades in India. There are also said to be contacts between Burmese and Chinese Communists, but if such exist their nature is obscure and their significance unknown.

The Communists, although far less strong than the League, nevertheless enjoy greater popular support than their meager success in the April elections would suggest. The Government of Burma for which the League is now fully responsible is compelled by the present situation to take rigorous, and consequently generally unpopular, measures against such conditions as lawlessness, strikes, and the non-payment of rents and taxes. It is possible that the Communists may be able

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to utilize the unpopularity of these measures to alienate sufficient support from the League to embarrass, or even to cause the collapse of, Aung San's Government.' Should this occur a chaotic condition would ensue as neither the Communists, nor any other party, nor coalition of parties, would then be able to form a stable government. Burma's political progress and economic rehabilitation are, therefore, for the next 3 to 5 years dependent upon the continuance in power of the AFPFL, the only stable party other than the Communist.

Burma's Constituent Assembly convened on June 10, 1947. As a draft of the new constitution has already been drawn up by AFPFL leaders the Assembly's deliberations are not likely to be prolonged and it is proposed to have the new constitution ready for submission to the British Parliament before that body adjourns in October. Inauguration of the new constitution at or before the beginning of 1948 seems probable.

B. Economic

The Government of Burma is heavily in debt; the country's 1947 budget shows a huge deficit; the national economy which was completely disrupted by the war has been only very partially restored; and extensive reconstruction and rehabilitation are still necessary.

Most of the lines of the Burma Railways are once more in use, but only to a limited extent because of the poor condition of the roadbed and the shortage of locomotives and rolling stock. River transport has also been only partially restored. Motor transport, however, has regained, or possibly even surpassed, its prewar level.

Burma's industrial installations were severely damaged during the war and have as yet been only very partially restored. Agriculture which is Burma's chief occupation suffered greatly as a result of the war. It is recovering steadily but is still far from normal. The 1946-47 rice crop amounted to 3,885,500 tons of paddy, an increase of more than a million

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S E C R E T

one hundred thousand tons over the 1945-46 crop of 2.7 million tons, but less than half the record 1940-41 production of more than 8 million tons.

Burma is scheduled to export 8 to 9 hundred thousand tons of rice in 1947 which is roughly one quarter of Burma's prewar annual export of 3.5 million tons of rice. Rice will be Burma's only important export during 1947, although doubtless some tin, tungsten and timber will also be exported. There will, however, be no lead, silver or petroleum sent abroad, all of which were important exports before the war. Despite the greatly reduced volume of Burma's exports in 1947 their value (approximately 355 million rupees or £ 25 million) due to the high price of rice will probably amount to more than half the prewar value of the country's exports.

Prices which were extremely high immediately following the reoccupation declined gradually during 1946. At the end of December, 1946 the price index (based on 1941) had fallen to 282, but since that time there has been a slight rise in prices.

Following the reoccupation of Burma the British Government made available to the Government of Burma a credit of £ 85.4 million (frequently incorrectly referred to as an £ 87 million loan) for use during the fiscal years 1945-46 and 1946-47. As of the end of April 1947 only about £ 44 million had actually been utilized and of this, apparently, all but £ 8.5 million had been repaid.

It was announced early in April that the Burma budget for the year ending September 30, 1947 showed a deficit of more than Rs. 1,072,000,000 (approximately \$321,600,000) made up as follows: revenue deficit (deficit on the ordinary budget) Rs. 192,290,000; government loans to agriculturists Rs. 306,688,000; capital expenditures and expenses for rehabilitation Rs. 573,400,000. This deficit does not include Burma's outstanding debt to India of Rs. 481,455,000, nor Burma's contribution to the British Government for defense

- 4 -
S E C R E T

S E C R E T

which is assessed at Rs. 90,000,000. The estimated income of the Government of Burma is Rs. 536,178,000 made up of revenue, Rs. 253,199,000 and returns from loans Rs. 282,990,000.

An Anglo-Burmese financial agreement was concluded in May 1947 the terms of which provide that the British Government will contribute an amount not exceeding 16 million pounds (approximately 160 million rupees) to Burma's ordinary budget and make an interest free loan for rehabilitation of 18,375,000 pounds. This loan presumably replaces the unutilized portion of the original British credit of 85.4 million pounds.

It would appear from the foregoing figures that even after taking into account British financial aid the Burma budget will still show a deficit of more than 250 million rupees, the greater part of which will be on account of expenditures for reconstruction and rehabilitation.

Notwithstanding the extent of Burma's devastation, the slowness of rehabilitation, and the present budgetary difficulties of the Government of Burma there is every reason to expect the gradual restoration of Burmese economy during the next few years provided political stability and effective administration can be maintained. A steady increase of exports of rice, timber, tin and tungsten may be anticipated, and within five years Burma's oil fields and refineries should again be in operation. The eventual restoration of a favorable balance of trade appears assured although it may be some years before Burma again enjoys as favorable a balance as it did before the war.

2. Objectives of Other Great Powers.

A. Great Britain

It now appears nearly certain that British efforts to retain Burma as a willing partner within the British Commonwealth have failed and that the Constituent Assembly will vote for Burma's complete independence. The British will

S E C R E T

doubtless endeavor to establish close and friendly relations with independent Burma by negotiating treaties of friendship, commerce, and military aid as favorable to themselves as possible. They likewise desire Burma's cooperation in the British Empire defense system. Britain hopes to retain Burma within its sphere of influence, to guide Burma's foreign policy, and to exert some influence on the country's internal affairs. Britain will also seek safeguards and preferences for British commercial interests in Burma. In implementing these objectives Britain will take advantage of the long-established connections between the two countries, Burma's need for a powerful ally and spokesman, and the country's economic dependence on, and financial obligations to, the UK.

B. India.

India is as yet too much occupied with internal problems to have formulated any policy with respect to Burma, but there is an increasing tendency among Indians to regard Burma as a field for Indian exploitation and an area to be brought within the Indian ambit. India's immediate objectives with respect to Burma appear to be (1) the conclusion of a satisfactory agreement with respect to Indian immigration into Burma, (2) the safeguarding of the political and economic rights of Indians resident in Burma, (3) the negotiation of an agreement relating to Burma's debt to India, (4) the obtaining of an equitable settlement for the Indian money-lenders, and (5) the procurement of adequate quantities of Burma's rice.

C. China.

China like India is too disturbed internally to give much thought to Burma. Chiang Kai-Shek has denied that China has any designs on Burma, but the Burmans are nonetheless fearful of Chinese expansion either by force of arms or peaceful penetration. The imperfectly defined China-Burma border is likely to become a source of contention between the two countries.

S E C R E T

D. Russia

Russia presumably has no specific policy toward Burma, its policies toward that country being the same as those for South East Asia generally.

II. ANALYSIS OF ASSISTANCE ALREADY RECEIVED.

The only assistance which Burma has already received from the US is that given by the Surplus Property Settlement signed in London on February 28, 1947. This settlement was based on the desire of the US to make a reasonable and useful disposition of its surplus property in Burma and on a consideration of Burma's need and limited ability to pay.

According to the terms of the settlement Burma received goods, whose value when new was between 15 and 20 million dollars, for the sum of five million dollars to be paid over a twenty year period. All or most of this sum will be paid in Burmese currency and will be expended locally for the purchase of real estate for the use of the US Government and for the implementation of the Fulbright program in Burma.

No economic assistance to Burma is now pending or contemplated, but the Burmans have unofficially expressed their hope that the US will support a Burmese application for a loan from the International Bank. The amount that might be requested was not indicated.

The goods made available to Burma by the Surplus Property Settlement, particularly the locomotives, have contributed materially to the rehabilitation of Burma, but they constitute only a small part of the aid in reconstruction which Burma has received and a still smaller part of the total aid needed.

The Surplus Property Settlement was on the whole fairly well received in Burma and appreciation for American generosity was expressed, but in some quarters doubts and suspicion of ulterior motives were voiced.

S E C R E T

III. OBJECTIVES OF THE US IN BURMA.

The US desires the continuance of Burma's constitutional progress in accordance with declared British policy and the desires of the Burmese people, which envisage the expeditious, peaceful and orderly attainment of full self-government by Burma either within or without the British Commonwealth of Nations as the Burmese people prefer. The US further desires that the Government of Burma should be stable, democratic, pacific, friendly to its neighbors and to the US, and free from the undue influence of any foreign power or international communism. It is an objective of the US that the Government and people of Burma should understand and cooperate with the policies of the US and develop confidence in American democratic institutions. The US regards the speedy restoration of Burma's war-shattered economy to at least its prewar level as highly desirable both as an element in the restoration of world economy and as a means of promoting the country's political stability.

PROGRAM

IV. MEANS OF REACHING US OBJECTIVES IN BURMA.

As Aung San and his party, the AFPFL, alone appear likely to be able to bring about those conditions in Burma which the US desires, the implementation of US policy must in fact consist in strengthening as far as legitimately possible the stable government now in power. To this end the US has already agreed to exchange diplomatic representatives with the Government of Burma even during the present interim period. The Government of the US has also taken occasion to express its satisfaction with the London agreement of January, 1947 which established the present Interim Government of Burma and to felicitate the Constituent Assembly which convened on June 10, 1947 to draw up Burma's new constitution. The US should continue by appropriate diplomatic means to support the current regime. It may nevertheless be advisable for US representatives in Burma to seek suitable occasion tactfully and informally to urge upon Aung San

S E C R E T

the desirability of avoiding any type of action which might give color to the charges of those of his political opponents who accuse him of fascist tendencies.

The Burmans have shown a great desire to participate in world affairs and to join the UN and other international organizations. As such participation and membership will enhance the prestige of Aung San's government with the Burmese people the US should cordially support British initiative in securing Burma's membership in the UN and other international organizations.

The US should provide upon request limited technical, informational and cultural assistance to Burma, including education in the US for promising Burma students.

A further means of strengthening the AFPFL government of Burma in view of its present financial difficulties would be a loan, in particular a dollar loan, from US or international sources. From both the Burmese and US points of view a loan from an international source is preferable. The Burmans are jealous of their independence and suspicious of strings which may be attached to foreign aid. They would therefore prefer if possible not to borrow from any nation which might use the loans as a means of penetration or obtaining a preferred position. Burmese Communists and the Burmese Communist press, joined probably by certain other newspapers and political leaders opposed to the AFPFL, will certainly condemn any form of economic aid from the US as "dollar imperialism". A loan from an international source would have the advantage from the point of view of US policy of obviating, or at least minimizing, the opportunity for attacks of this sort upon the US. The US Government should, therefore, support any application made by Burma to the International Bank for a loan of reasonable size provided the AFPFL government can give evidence of its ability to stabilize the country's administration and economy.

S E C R E T

Should it prove impossible for Burma to obtain a loan from the International Bank -- a contingency which seems unlikely in view of the fact that Burma, given political stability, appears to be a better "business risk" than many of the countries currently receiving loans from international and US sources -- efforts should be made to assist Burma in obtaining a loan from the Export-Import Bank, and failing this an allocation of analogous aid. These alternatives are, however, considerably less desirable than a loan from international sources for the reasons indicated above.

In order to better assure that any financial aid will enable the Burmese economy to adjust itself to present day conditions with a minimum of delay and at the same time contribute to long-range stability of the country, such program of expenditure should be based upon a maximum of indigenous initiative. Steps should also be taken to enable Burmans to make appropriate contacts with American suppliers of machinery and with American technical skill.

V. MAGNITUDE, ANATURE AND TIMING OF THE MEASURES REQUIRED WITHIN THE NEXT THREE TO FIVE YEARS TO REACH US OBJECTIVES IN BURMA.

The available evidence indicates that Burma will need a loan of one to two hundred million dollars within the next three years in order to regain her economic position of 1941. This loan might be made available in installments as follows:

<u>Total</u>	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
100,000,000	50,000,000	37,500,000	12,500,000
150,000,000	75,000,000	50,000,000	25,000,000

Under the provisions of the Fulbright Act, it is anticipated that \$200,000 per year, over a period of 20 years, will be expended in Burma rupees to finance studies, research, instruction and other educational activities of or for citizens of Burma in American schools outside of the US and US possessions.

S E C R E T

S E C R E T

The Mundt Bill will make possible the appropriation of US funds for the exchange of students, teachers, trainees, technical experts; for assistance to schools, libraries, and community centers in Burma; and, for the dissemination in Burma of information about the people, institutions and policies of the United States.

VI. PROBABLE AVAILABILITY OF ECONOMIC AID FROM EXISTING SOURCES UNDER PRESENT POLICIES.

If a Burmese application for membership in the International Bank is successful, Burma should be able to qualify on economic grounds for a loan from that Bank. However, in the absence of International Bank aid, it is possible that moderate credits for sound economic projects could be obtained from the Export-Import Bank. There is virtually no probability of the successful flotation of securities in the New York market by the Government of Burma. Several American businessmen have shown some interest in establishing connections with Burma. Some technical aid may, therefore, be available to the Burmese without US Government assistance.

It is unlikely that large US direct credits will be made available to Burma since no case exists for such credits on political and strategic grounds.

It appears unlikely that the UK will within the next few years extend any further credit to Burma beyond that already provided by the May, 1947 financial agreement. Moreover, in view of the Great Britain's own financial difficulties it seems evident that the US would be the original source of any loan which the UK might make to Burma. It is desirable that any sum lent to Burma of which the original source was the US should be made through the agency of the International Bank or the Export-Import Bank rather than through the British Government in order that credit for the loan may be properly placed.

S E C R E T

VII. ADDITIONAL MEASURES REQUIRED FROM THE UNITED STATES.

It is unlikely that any US aid in addition to those contingent measures discussed above will be required for the attainment of US objectives in Burma.

VIII. NATURE OF ARRANGEMENTS WITH THE GOVERNMENT OF BURMA TO ASSURE THE ACCOMPLISHMENT OF OUR OBJECTIVES IN TAKING SUCH MEASURES.

On the assumption that all or most of the financial aid required by Burma can be secured from the International Bank, or similar organization, no special arrangements with the Government of Burma appear to be required. Any special arrangements with the Burmese Government should be held to a minimum in order to avoid the appearance of encroachment on Burmese sovereignty.

IX. EFFECTS UPON BURMA AND UPON US FOREIGN POLICY OF US REFUSAL TO GRANT AID OR FAVOR A PROGRAM UNDERTAKEN.

Failure of Burma to secure substantial loans from the International Bank or other British and American sources would probably result in prolonging the present adverse economic situation in Burma. Failure to remedy the present situation would be unfavorable to the continuance of the present regime, and hence to political stability. The perpetuation of economic distress and the weakening of governmental authority might enable the Communists to increase in strength, and might eventually result in the appearance of a Communist-dominated government whose formation would greatly weaken the position of the US and the UK in Southern Asia, and give the Soviet Union a base for the propagation of Communist Ideology in that area.

X. POSSIBLE EMERGENCY SITUATION WHICH SHOULD BE ANTICIPATED AND RECOMMENDED COURSE OF ACTION OF THE UNITED STATES.

None.

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SUMMARY OF ANALOGOUS AID
PAPER FOR BURMA

Burma's present interim government has in practice virtually full autonomy, although the British Governor may assume full powers in an emergency. The Anti-Fascist People's Freedom League (AFPFL) holds all portfolios in the Government as a result of sweeping the April 1947 elections to the Constituent Assembly. This party is moderately left of center, the chief opposition being two communist parties at least one of which appears to be in touch with Moscow through the Indian Communist Party.

Communist strength is probably greater than meager communist successes in the April elections would suggest. Moreover, the necessity for the AFPFL to take strong measures against lawlessness, strikes, and non-payment of rent and taxes may cost it loss of further popular support which may go to the communists. There is no party to the right of the AFPFL which has any prospect of forming a stable government.

Burma's constituent assembly is now meeting and is expected to present a constitution to the British Parliament in August.

Burmese economy was completely disrupted by the war, and the 1947 budget shows a huge deficit in the face of extensive reconstruction and rehabilitation needs. Agriculture was least damaged by the war but loss of cattle, deplorable transport conditions, and lack of law and order in many places cause the present rice export to be approximately 1/4 of normal. Mineral exports have been even harder hit by demolition and bombing of refineries, etc. There is no apparent danger of runaway inflation, but prices have started to rise again after falling to about three times the 1941 level. Heavy British loans have been made to bolster the Burmese economy. Burma's long run prospects for economic recovery are excellent as the sources of rice, timber, tin, and tungsten have not been permanently damaged.

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British efforts to retain Burma as a willing partner within the Commonwealth have apparently failed and the constituent assembly will probably insist on complete independence. Britain may nevertheless retain Burma within its sphere of influence.

There is an increasing tendency among Indians to regard Burma as a field for Indian exploitation and an area to be brought within the Indian ambit. Burmans resent this attitude. Burmans are also fearful of Chinese aggression, but China is too disturbed internally to be of much immediate concern to Burma.

The surplus property settlement concluded between the United States and Burma on February 28, 1947 provides that the rupee equivalent of \$5,000,000 will be paid over a twenty year period to the United States Government for buildings and for educational exchange under the Fulbright Act. Burmans have unofficially expressed their hope that the United States will support a Burmese application for a loan from the International Bank.

The United States desires the continuance of Burma's constitutional progress and that the Government and people of Burma shall understand and cooperate with the policies of the United States and develop confidence in democratic institutions.

In the absence of any practicable alternative, the United States will support, by all appropriate means, existing Government. We have agreed to exchange Ambassadors with Burma, and we shall support British initiative in securing Burmese membership in the United Nations and to the international organizations. Limited technical, informational, and cultural assistance should be provided by this country. It is preferable, however, that any loan should be made by the International Bank although it is possible that special circumstances may dictate the necessity of a loan from the Export-Import Bank. Burma appears to need to borrow at least two to three million dollars for rehabilitation in the near future. The basic soundness of Burmese economy suggests the possibility of securing a loan from the International Bank on strictly economic grounds.

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Failure of Burma to secure substantial loans from the International Bank or other British or American sources probably would result in prolonging the present economic situation in Burma with very serious repercussions in the fields of politics and law and order. Should the Communist menace become considerably more apparent than it is at present or should either India or China become Communist, it is possible that military equipment, technicians, and training for the Burmans may be called for following the pattern of Greece, Turkey, and Iran. This seems a rather remote possibility at present.

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