Chapter VI

ECONOMIC RELATIONS BETWEEN INDIA AND BURMA
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Indo-Burmese economic relations was a very important factor which helped to maintain close friendship between the two countries. During 1826-1937 when Burma was a province of British India, the Burmese economic history was not different from the economic history of India as a whole. Burma continued to remain under the monetary system of the British India. There was no control of the provincial government of Burma over matters relating to economic administration. Moreover, Burma continued to avail free-trade facilities with India till it was separated from the latter on 1 April 1937.

Indo-Burmese Trading Activities Before Independence

Trade was the vital aspect of Indo-Burmese economic relations. Geographical proximity, joint administration and complimentary character of the economy between India and Burma, contributed to a large extent in the development of their trading links. The presence of a large number of Indian trading community of Chettiyars was an important factor in the augmentation of trade between the two countries. Thus a survey of Indo-Burmese trade links before independence is necessary for the understanding of the post-independence economic situation.

2 Ibid.
Before independence, India was the major trading partner of Burma. India, being the nearest neighbour fulfilled Burma’s requirements for jute, tobacco, textiles and betelnuts etc. Other types of capital goods like iron, steel and coal and consumer goods like hardware, drugs and medicines etc., which were imported into India from other countries, also comprised items of export to Burma.

Burma on its part, supplied India its immediate necessities. These were large quantities of rice, petroleum products and timber etc. The nature, value and volume of trade between India and Burma during the years 1909-1924 was quite considerable.

An analysis of the trade during the period 1909-24, reflects a complimentary trend in Indo-Burmese trading activities. In fact the most interesting aspect of the trade was that in terms of value, jute bags were considered the most preferred item of export from India to Burma. Similarly rice not in husk, held a dominant position in India’s import items from Burma. The depression of 1930s adversely affected the trade between India and Burma. It caused a great decline in the value of trade. But the composition of trade between India and Burma remained as before. In order to check the deflation

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4 An overall picture of the trade between India and Burma during 1909-24, can be known from the three tables (I, II and III) mentioned in Appendix I.

5 For details see, B.N. Ganguli, India’s Economic Relations with the Far Eastern and Pacific Countries in the Present Century (Calcutta, 1956), pp. 31-33.
in each other's economy, India and Burma resorted to increasing the volume of export and import commodities. India began to export large amount of cotton goods to Burma and import large quantity of mineral oils and rice from Burma. This, to some extent, helped in controlling the deflation.

The nature of Indo-Burmese trade did not undergo any significant change even after Burma was separated from India. India continued to remain the leading trade-partner of Burma because it accounted for 3/5 of the latter's total foreign trade. The trade remained in the hands of private firms owned by persons with British and Indian nationalities. Internal distribution and sale of imported goods was monopolised by the Indians. However, products from Europe were handled mainly by the British importing firms.

On 1 April 1937 when Burma was separated from India, the trade between them came to be regulated by India and Burma Trade Regulation Order 1937. As the main objective of the Trade Regulation Order was to avoid undue disruption of trade between India and Burma, the Order at first included provisions for non-imposition of export and import duties in excess of duties

6 Ibid., p. 36.
7 After India, it was the United Kingdom which accounted for 1/3 of Burma's total foreign trade, see Chakravarti, n. 1, p. 74.
already existing before separation.

Secondly, reduction or abolition of pre-existing duties on imports or exports was subject to the prior consent of the Governor of India. But reduction or abolition of goods not produced in Burma required two months notice by the Governor-General of India. A similar kind of procedure was stipulated for goods not manufactured in India. Thirdly, an excise duty on goods produced in either of the country was accompanied by a counter-vailing import duty on goods imported from the one by the other. This Order, nevertheless, maintained the continuity of Burma's free and balanced trade with India for another few years. By another regulation—India and Burma Monetary Arrangements Order 1937 —the Reserve Bank of India was allowed to continue the management of the currency and

9 Duties were to be imposed on following items only: (1) opium, salt, salted fish, or spirit, (2) foreign goods, enjoying duty free treatment in Burma, and (3) duty on tea if Burma ceased to be a party to the International Tea Restriction Scheme. For details see Cmd. 4935, Trade and Immigration Relations Between India and Burma after the Separation of Burma (London: His Majesty's Stationery Office, 1935), pp. 1-4.

10 This Order was to remain in force for three years i.e. up to the 31st March 1940 or for one year after notice of termination of whichever was the longer period, see ibid. Also see Reserve Bank of India, Report on Currency and Finance, 1939-40 (Bombay, 1940), p. 5.

11 The trade figures mentioned in Appendix II will throw light on the balancing trend in Burma's trade with India.
exchange of both the countries. As a result the currencies of India and Burma maintained identical value under the management of the Reserve Bank of India until the Union of Burma was established after independence in 1948.

Due to two important developments, the nationalists in Burma had started getting dissatisfied with the Trade Regulation Order of 1937. Firstly, the emergence of strong feelings of nationalism among the Burmese gave rise to anti-Indian fever and caused anti-Indian riots. Secondly, the ensuing Second World War resulted in budgetary difficulties. Amidst these problems, the Government of Burma on 31 March 1940 gave notice to India expressing desire to open subsequently negotiations for a new trade agreement, and on 31 March 1941, both sides accepted in principle proposed terms for a new trade agreement.

12 Under the Monetary Arrangements Order of 1937 the Reserve Bank of India was to have the sole right to issue currency notes and Bank notes in British Burma and the Governor of Burma was not to issue any currency notes nor put any coins into circulation except through the Bank and as provided in the agreement. Besides, the Rangoon branch of the Imperial Bank of India maintained its connection as a member of the Federal Bank of India with which the Imperial Bank and all "scheduled" banks were to maintain deposits, continued to manage currency and central banking functions of the Government of Burma. For details see Cmd. 4901, Arrangements with respect to the Relations between the Monetary Systems of India and Burma in the event of the separation of Burma from India (London: His Majesty's Stationery Office, 1935), pp. 3-8.

13 A meeting was held on 31 March 1941 between the Indian and Burmese delegations and proposed terms for a new trade agreement were accepted in principle by both sides. Details were expected to be settled shortly. In the meantime, both countries intended to maintain in operation the existing position in all matters covered by the Trade Regulation Order which expired on 31 March 1941. See Indian Information (New Delhi: Government of India), vol. 8, no. 72, 1 May 1941, p. 226.
Finally on 3 April 1941, a new trade agreement between India and Burma was signed. This marked the end of the system of free-trade between the two countries, and commenced a policy of mutual preferential treatment. A three-decker tariff system was introduced, under which the lowest tariff were to be confined to goods of Indian and Burmese origin. The middle tariff was applicable to goods of Empire countries, and the highest rate applicable to goods of non-Empire countries. The primary objective of the tariff imposition was to raise sufficient amount of revenues. Burma expected to earn about Rs. 1.5 crores including the export duty on rice from the tariff charges vis-a-vis India.

Unfortunately, the Second World War disrupted the trading activities between India and Burma and Burma could not benefit much from this agreement. Although India did not come directly

14 The general principle of this new trade agreement was that goods of Indian and Burmese origin will enjoy in the market to which they are exported, a margin of preference of not less than 10 per cent over similar articles enjoying preferential treatment when imported from the United Kingdom or from colonies, and a margin of preference of not less than 15 per cent over similar articles liable to duty at the standard rate. In certain number of cases the duty free treatment was accorded by either party or the entry was allowed at guaranteed maximum rates of duty. There was also provision to accord special treatment to certain important commodities exported by either country. The agreement was to continue for an indefinite period, subject to the right of either party to denounce it at six months' notice. For details of this agreement see ibid., vol. 3, no. 73, 1 June 1941, p. 300; also see ibid., vol. 3, no. 74, 15 June 1941, pp. 355-7.

under the Japanese occupation, its economy was adversely affected by the world wide inflation. In case of Burma the Japanese invasion in early 1942 brought great setback to its economic infrastructure. The damage had been in fact less due to the direct effects of the warfare than due to indirect consequences of wartime economic factors. During the three years of Japanese occupation (1942-45) Burma was cut-off from its export markets and the incentive to produce was much less. Nothing was done to encourage the cultivation of rice which was the main source of foreign exchange. As a result the production of paddy in Burma had fallen down to the national subsistence level by 1945. It was only after the independence gained by two countries, that a new trend emerged in the trading activities between India and Burma.

**Indo-Burmese Trade after Independence**

At the time of its independence, India was faced with enormous economic problems. Partition of the Indian sub-continent into India and Pakistan meant great loss of extensive fertile areas for India. It forced her to depend upon foreign supplies of foodgrains like rice, as well as on industrial raw materials like jute and cotton. The situation had been aggravated due to the Second World War, because it had created a situation of wide-spread inflation and deficit budget for

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17 Ibid. During the pre-war period, Burma was one of the largest rice exporting countries. See United Nations, Economic Survey of Asia and the Far East, 1943 (New York, 1949), p. 83.
India. Besides, strain of rehabilitation of millions of refugees from Pakistan was no less a burden on the already depressed 
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economy of India.

Burma, as an independent country was also faced with 
problems of revitalisation of its agricultural production and 
trade which had been disrupted by the war and later by the 
internecine strife of insurgency during 1948-50. New and 
difficult economic situation demanded immediate attention to 
inherent problems of great magnitude. It had to rehabilitate 
its production structure and bring production to its pre-war 
level. As a result many difficulties stood in the way of 
resumption of normal economic relations between India and Burma. 
But friendly feelings between them contributed to a speedy 
resumption of mutual economic relations and to the gradual 
development of mutually advantageous trade and economic 
collaboration.

The economic impact of the Second World War and the 
changed structure of world trade during the post-war period 
together had led to a remarkable decline in the level of Indo-
Burmese trade. It was clear to both India and Burma that the 
Indo-Burmese trade agreement of 1941, was not favourable to meet 
the new situations in the two countries. Hence a new long-term 
agreement was signed on 20 September 1951 as a result of 
negotiations conducted in the month of May 1951. The agreement


18 About the condition of Indian economy at the time of 
independence, see United Nations, Economic Survey of 

was signed by M.A. Rauf, the Indian Ambassador to Burma on behalf of the Government of India, and U Kyaw Myint, the Burmese Minister for Commerce on behalf of the Government of the Union of Burma. It was to continue for a period of five years and involved some barter deals consisting of three parts.

First part of the agreement was to be effective from 1 May 1951 to 31 December 1951. It provided for export of 240,000 tons of rice from Burma to India in exchange of certain stated quotas of four specific Indian commodities, i.e. gunny bags, groundnut oil, cotton yarn and galvanised iron sheets.

Second part of this agreement was to be effective from 1 January 1952 to 31 December 1955. It involved further barter commitments. It provided for the sale of 350,000 tons of rice annually of which 230,000 tons was to be supplied on government to government basis and at a price to be settled by mutual agreement in advance for each half-year. Part three consisted of an important statement: "Export and import facilities granted by each country to the other shall be no less favourable than those applied to any other country in Soft Currency Area".

It also consisted of a provision which prevented the re-export of any of the commodities mentioned in the agreement except gunny bags.

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21 India's Trade Agreements with Other Countries, As in Force on December 15, 1953 (New Delhi, Ministry of Commerce and Industry, n.d.), p. 21.

22 Ibid., p. 22.

23 Ibid.
The first trade quota agreement of 1951, which laid down the minimum and maximum limits for export and import items, was modified in July 1953 in order to introduce a comprehensive schedule for India's export commodities as well as broad quota limits for their trade volume. On 3 July 1953, the texts of the modifications of the trade agreement of 1951 were exchanged at New Delhi between S. Boothalingam, Secretary to the Ministry of Commerce and Industry, on behalf of the Government of India and Ba Saw, Secretary to Ministry of Commerce, on behalf of the Government of Burma. According to the modifications, the Government of India was to facilitate the export of such items as iron goods, diesel engines, brass and copper sheets as well as telecommunication equipment etc., besides raw cotton and cotton yarn etc. Moreover the Government of India made it clear that it did not need any more rice from Burma during 1953. An understanding was reached under which India was to indicate to Burma the quantities of rice likely to be purchased from the latter in the year 1954.

The main objective of Burma's foreign trade in post-independence years was to secure a sufficient supply of foreign exchange to support a planned-development programme for the economic rehabilitation of the country. Among other items,
rice was considered to be the main source of foreign exchange. Kerosene and petroleum products which accounted for 2/9 in value five years before the war had been reduced to a much lower position after independence. Even Burma had to import its petroleum requirements from abroad. Only timber particularly teak retained its little prominence in the field of Burma's exports to India.

Rice and rice products constituting about 30 per cent of Burma's foreign exchange earnings came to play a vital role as far as foreign trade of Burma was concerned. Burma's foreign trade policy during the period this study covers was directed mainly towards the sale of the rice surplus. And India as its traditional customer provided Burma with a favourable market for disposal of its surplus rice.

The years 1948-53 were marked by a period of rising export market for Burmese rice surplus. It was due to the crisis created by the Korean war. During this period, the Burmese Government was able to make huge profits by exporting rice at approximately twice the domestic price. Towards mid 1953, however, the Korean armistice brought a rapid fall in

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26 In the five years before the war, over 4/9 by value of Burma's exports consisted of rice and rice products. But in the post-independence years rice and rice products accounted for nearly 4/8 by value of all exports. See Cook, n. 8, p. 24.

27 Ibid. India remained the best customer for Burmese teak up to the end of 1958-59. But after that Denmark became the chief customer for Burmese teak followed by the United Kingdom, West Germany with India holding the fourth position during 1959-60. See Economic Survey of Burma 1961, pp. 40-41.

rice prices in the world market and affected Burma accordingly. Even after the end of the Korean crisis, the Burmese government did not lower the price of rice. Therefore India, a major customer was forced to cut down the volume of rice it was importing from Burma. This affected Burma so much that the latter's rice exports fell drastically towards the end of the year 1953. Burma found it difficult to reconcile to the new situation in which the world market had been affected by a decline in demand and price of rice. The Burmese Government thought this to be a temporary phase and expected it to wither away after some time.

In 1954, Burma had an exportable rice surplus of 1.5 million tons accumulated by the rice crop covering years 1953-54. Substantial stock carried forward from the crop of the years 1952-53 was further added to the existing stock. As a result, Burmese government had at its disposal nearly 2.3 to 2.5 million tons of exportable rice. There arose the difficulty of exporting this huge stock of rice. At this time India agreed to buy bulk of its exportable surplus under an agreement signed in March 1954.

On 9 March 1954 India concluded an agreement with the Burmese government to buy 900,000 tons of rice over three years at the rate of £50 per ton for 1954, £48 per ton for 1955,

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29 As against 369 thousand tons in 1952, the rice purchase by India came down to 150 thousand tons only in the year 1953. See John H. Badgley, Burma's Foreign Economic Relations, 1948-57: A Survey (Rangoon, 1959), p. 10.

and £ 46 per ton for 1956. The supply of rice was to be spread over three years at the above rates. The Burmese government was given the option to supply all the quantity during 1954 at an average price of £ 46 per ton. Rice stipulated for sale was to be that of 1953 and subsequent years as the Burmese government desired to deliver.

The rice agreement of 1954 evoked a lot of controversy at various levels. The Southern Chamber of Commerce expressed doubts about the quality of the rice that Burma was likely to supply. It was also stated that the price agreed to was unduly high. Similarly in the debates of the Council of States, the price and quality of rice was subject to question.

The Hindu, an Indian daily in its editorial of 13 March 1954, defined the rice agreement as "much more than a commercial undertaking" and in reality "a goodwill gesture on India's part". The fact that India agreed to buy rice in spite of the accumulation of unsold stocks in their own country indicates that it was not just an economic deal. Such a goodwill gesture by India


32 For details about the debate that started over the rice deal see India, Parliamentary Debates (Council of States), vol. 6, no. 17, 8 March 1954, cols 1979-83.

33 Further explaining the situation, it was reported that Kidwai, India's Minister for Food and Agriculture, who refused to buy in the year 1953 at any price above £ 40 while Burma was demanding £ 60 had now conceded a price which clearly favoured Burma. See The Hindu (Madras), 13 March 1954.

34 Ibid.
was widely welcomed by the Burmese. *Tribune*, a Burmese daily from Rangoon commented:

We congratulate the ministers of both sides on the successful conclusion of the rice pact. The £ 48 rate is certainly a gesture of generosity on the part of our neighbour and old customer since she had offered at prices ranging from £ 35 to £ 40 per ton and had turned these down in favour of our rice. We hope we will continue to enjoy India's generous patronage in the days to come. 35

The agreement appeared to be based more on political considerations than on the basis of economic policy or on the basis of food considerations. When attention was drawn to various Press reports, Rafi Ahmad Kidwai, India's Minister for Food and Agriculture, said, "I do not know what are the considerations". Going further he added that "In Press reports so many things appear. But ... I have been thinking of building up a reserve of 10 lakh tons in this country so as to be sure of supplies of rice even if our crops should fail." However, Kidwai made no reference as to whether any portion of the amount that India may pay for the rice was to be adjusted against the debt due on Burma.

After the important rice deal of 1954, many measures were taken by the Indian and the Burmese governments to enhance their trading activities and further strengthen the economic ties between them.

37 Ibid.
38 Ibid., col. 1981.
The trade agreement of 1951 had expired towards the end of December 1955. In 1956, U Raschid, the Burmese Minister for Food and Trade Development, visited India twice for ensuring two-way trade. During these visits, he had discussions with India's Minister for Food and Agriculture. These discussions led to the conclusion of a five year agreement for rice on 23 May 1956. Under this agreement, India agreed to purchase two million tons of rice from Burma. Agreement was to be effective from 1 June 1956. The agreement was designed to furnish Burma with necessary exchange and to absorb a large proportion of its requirements from India. The Burmese government on its part undertook a commitment to provide adequate facilities for the development of mutual trade to the highest practicable level.

Yet another agreement was signed between India and Burma on 14 July 1956. According to this agreement India was to supply Burma Indian textiles worth $3,850,000. Payment for the textiles was to be made in raw cotton purchased by Burma from the United States under PL 480 agreement. This agreement was hailed by the Rangoon textile circles as a step towards

40 Ibid.
41 The raw cotton with which Burma decided to pay back India was part of Agricultural Commodities of an aggregate value of $ 20,000,000 which the United States of America had contracted to sell to Burma against payment in Burmese Currency under an agreement signed in Rangoon in February 1956. Raw cotton formed a major part of these commodities being of the value of $ 17,500,000. See Asian Recorder (New Delhi), vol. 1, no. 31, 14-20 July 1956, p. 929.
strengthening the position of Indian textiles in Burma, a traditional market for India.

The five-year trade agreement of 5 September 1956 was yet another significant step which envisaged expansion and diversification of trade between India and Burma. It also incorporated in its fold the five-year rice agreement already signed in May the same year. This comprehensive and enlarged agreement which included a part of traditional items in India, was indeed meant to check decline in trade and bring a sort of balance in the Indo-Burmese trade. The main Indian exports to Burma under this agreement were commodities like cotton, yarn, cotton and woollen textiles, jute manufactures, tea, fish, sugar, coal and coke etc. India's imports from Burma consisted of items like rice, beans, pulses, maize, raw cotton, teak, wolfram and zinc concentrates.

The main features of this agreement were that each government agreed to give "full consideration to suggestions" made by either government for facilitating "the export of commodities which are in short supply in one country and which have been traditionally imported from the other country". It also

43 There were other exportable items like machinery and engineering goods, coir and coir products, drugs and medicines etc. See India's Trade Agreements with Other Countries, As in Force on July 1, 1960 (New Delhi, Ministry of Commerce and Industry, n.d.), pp. 16-17.
44 Ibid., p. 17.
underlined the need "to take steps as may be necessary to achieve as near a balance in their trade as may be practically possible" but "subject to prices and quality being competitive."

Following this agreement of September 1956 and the consequent development of an adverse balance of trade between India and Burma, an economic mission led by U Raschid, Burmese Minister for Mines, came to Delhi to explore the possibilities of increasing trade between them in non-traditional items. A draft Protocol to the trade agreement of 1956 was drawn up and was signed later in Rangoon on 25 September 1958. It was to remain in force during the currency of the trade agreement of 1956 which was due to expire in September 1961. The Protocol spelled out the measures to be undertaken by the two governments for the promotion of trade between them. Unlike the previous trade agreements which contained no provision on the nature of the financing mechanism, the Protocol provided for a future mode of payment between India and Burma under a multiple accounting procedure. In order to achieve perfect balance in

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46 In the course of discussions which led to the conclusion of the agreement, both the parties even discussed the possibility of using State Trading organizations to develop trade to a higher level. For details see ibid., pp. 17-18.


48 Under the multiple accounting procedure, two India-Burma Trade Development accounts called as 'Account A' and 'Account B' were to be opened by the State Commercial Bank of Burma in the State Bank of India. Both the accounts were to be in Indian rupees. As the Protocol had envisaged two different set of schedules "A-1, A-2" and "B-1, B-2", for trade items, the first was to be covered by 'Account A' and the other by 'Account B'. 'Account B' also included an Exchange (pounds-sterling) Settlement for the net balance with a specified limit of Rs. 30 lakhs on either side. For details see India's Trade Agreements, n. 43, pp. 19-20.
trade, all payments in respect of purchase and sale of commodities were to be made in Indian rupees. The Protocol fixed up quota and value limits for large number of trade items like potatoes, beans, teak - scantlings etc. for India and items like sewing machines, electrical goods, bicycles, hardware etc. for Burma. It is interesting to note that rice the most important item of trade was not included in the trade Protocol of September 1958.

It was on 12 June 1959 that an agreement for purchase of 350,000 tons of rice by India from Burma was signed in Rangoon by the representatives of the two countries. Yet another agreement was signed on 29 September 1959 in New Delhi. Under this, India agreed to purchase 1.5 lakh tons of Burmese rice and export items like cement, pig iron, textile machinery, diesel engines and handloom cloth etc.

Despite all these agreements the declining trend in Indo-Burmese trade could not be halted. A survey of figures

49 There were two different set of schedules -- the first envisaging a detailed value limit for each item and the other prescribing an overall value limit for another group of items. See ibid., pp. 20-22.

50 Ibid.


52 This was a special arrangement in addition to the five years trade agreement of September 1956. Under the terms of this new agreement of September 1959, Burma agreed to deliver supplies of rice within next three months. And the purchase of goods by Burma were to be completed in the next 12 months. At a price of £ 32 per ton, the quantity of rice to be purchased by India was to cost nearly Rs. 6.42 crores. See ibid., vol. 5, no. 41, 10-16 October 1959, p. 2941.
mentioned in Appendix III will help us better understand the trading activities between India and Burma during the years 1948-62. On the basis of an analysis of these figures it can be concluded that the trade between India and Burma had been extremely in favour of the latter than in favour of the former. Besides, it had also been marked by wide range of variations and lack of stability. On only four occasions the value of India’s exports had been slightly higher than the value of its imports from Burma. Otherwise India had always been facing a trade deficit of varying intensity. There was a tremendous rise in trade deficit amounting to Rs. 4,129 lakhs during the year 1954-55, as a result of extensive rise in the value of its imports and decline in exports to Burma.

There was sudden spurt in the value of its imports again during 1958-59 resulting in a trade deficit of Rs. 3,584 lakhs for India. It was the trade protocol of 25 September 1953 which helped to reduce the amount of India’s large-scale trade deficit with Burma. But the trade deficit during the subsequent period could not be arrested fully. Only balance was maintained but at the cost of a lower value of trade between India and Burma.

The fluctuations in the trend of India’s export-import trade with Burma which resulted in trade deficit of different

53 See Appendix III.

54 For fluctuating trend in Indo-Burmese trade see ibid.

variations at different junctures, can be attributed to several factors.

Although India retained its exports to Burma in some traditional items like textiles, coal and tobacco etc., their percentage share after independence was quite less as compared to their extensive volume in pre-independence years. It had started declining particularly after the trade agreement of 1951 which introduced some non-traditional items like engineering goods and consumer products.

Withdrawal of preferences set up in Indo-Burmese trade agreement of 1941 led to a further decline in India's predominance in Burma's trade market towards the end of the year 1953. A new tariff act, which became effective from 1 October 1953 brought an important change in Burma's commercial policy by giving effect to a uniform trade-structure. It introduced a single schedule of duties uniformly applicable to imports from all sources abolishing discriminatory tariffs. As a result, producers from Japan and Europe gradually came to have a more competitive position in the Burmese market. This left

56 About the pattern of India's trade with Burma in some traditional items, see Appendix IV.

57 The declining trend was further facilitated by some modifications brought in July 1953. For details see India's Trade Agreements, n. 21, pp. 20-23.

58 Discriminatory tariffs incorporated in Indo-Burmese Trade Agreement of 1941 and Ottawa Trade Agreement of 1932 were abolished. With the result non-preferential duties were reduced and some preferential duties were increased. See United Nations, Economic Survey of Asia and the Far East, 1954 (Bangkok, 1955), p. 70.
an adverse effect on Indian goods especially textiles. Lack of comprehensive agreement on economic and technical co-operation between India and Burma was also an important factor in causing a gradual decline in India's position in Burma's import market. Consequently India's overall dominant position in Burma's import trade fluctuated from 26 per cent in 1953 to 13 per cent in 1954. On the basis of figures available for 1954-56, India accounted for 17 per cent as against the United Kingdom holding the first dominant position with 25 per cent and Japan 20 per cent of the total imports by value in Burma's import market. Countries like the United Kingdom and Japan came to establish their dominance in Burma's import market, mainly due to their wide co-operation in providing an extensive amount of help to Burma in the form of technical services and capital goods both on bilateral basis and under the Colombo Plan.

Besides the United Kingdom and Japan, there were several other countries like Australia, the USA, the USSR, West Germany, and Israel etc. which played an important role in economic re-construction of Burma through aid, trade and technical

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59 In textile market India faced such a tough competition from Japan that the latter came to occupy the first place after 1953. The United Kingdom and India occupied second and third position respectively. See ibid.


61 Cook, n. s., p. 26; also see Appendix V.

62 For statistics about their technical and capital assistance to Burma under the Colombo Plan, see The Colombo Plan: Twelfth Annual Report of the Consultative Committee (Bangkok, 1963), pp. 289, 318.
co-operation agreements. However, these competitions from other countries to capture Burma's import market, did not lead to total failure of trade between India and Burma. On the contrary, India kept up her exports to Burma in goods such as diesel engines, motor and radio batteries, electrical machinery, electrical parts, wireless receivers, hurricane lanterns, metal furniture, surgical instruments, toilet brushes, chemicals, and agricultural implements. India also remained a major exporter of coal, groundnut oil, glass bangles, de-natured spirit, dry fish, prawns, coffee, tea, tobacco, castor oil, paper, cotton piece goods, electric fans and hosiery. India has also proved to be a supplier of finer quality of textiles like voiles, lawns and organdies besides large range of coir, leather and rubber manufactures etc.

There were several other factors that led to fluctuations in India's imports from Burma. We have already mentioned in the Indo-Burmese trade agreements about India's import items from Burma like rice, timber, hardwoods, hides and skins, pig lead, mineral ores, besides precious stones, beans, pulses and maize etc. Of all these items, rice has constituted more than 90 per cent of India's total imports from Burma. It is thus important to analyse the different forces

63 Uma Shankar Singh, n. 60, pp. 106-7.
65 Federation of Indian Chamber of Commerce and Industry, India's Trade with Afro-Asian Countries (New Delhi, 1961), p. 16.
affecting the net value of rice shipments from Burma in order to reach any definite conclusion regarding the variations in her imports from therein.

Generally trade in perishable commodities like rice is determined by short period operations of supply and demand. But Indo-Burmese trade in rice was subject to an additional set of forces affecting both the state of supply and the demand for the commodity. About these forces, Sunanda Sen writes:

The capacity and the actual willingness of Burma to supply rice at different price situations was not only affected by the production possibilities within the country but also by the state-ised decisions of the Burmese State Agricultural Marketing Board (SAMB) in regard to its "administered" level of prices and the destination of the country's rice shipments. 67 There was rise in value of India's imports of rice from Burma during the years 1951-52, 1952-53, 1954-55 and 1955-56 due to former's agreement on price level as administered by State Agricultural Marketing Board of Burm. On the other hand disagreements over price was one of the factors that led to low value of rice imports for India -- particularly during 1953-54, 1955-56 to 1957-58 and since 1959-60.

66 Sen, n. 55, p. 115.
67 Ibid.
68 In order to ensure efficient administration of rice trade, the Burmese Government after independence had brought rice trade nearly in all its aspects under the control of SAMB (State Agricultural Marketing Board) which became the sole body to determine and negotiate the price of rice. See ibid., p. 119.
69 For details about India's import of rice from Burma, see Appendix VI.
In view of all this India, in case of necessity, used alternate markets from countries like Egypt and Pakistan for import of rice. Moreover India's PL-480 agreements with the United States was another reason that effected lower intake of rice from Burma to India. Besides, after the Korean crisis, the Burmese Government saw heavy decline in price and subsequently the demand for rice. This gave rise to a foreign exchange crisis during and after 1954-55 in Burma. In such a situation, Burma was forced to seek alternate markets for promoting the sale of its surplus rice. As a result Burma concluded several barter deals with the Communist countries viz. People's Republic of China, and the Soviet Union and its East European allies. These agreements undoubtedly helped Burma to relieve off its heavy accumulations of rice stocks for some time. It was, however, Burma's major rice deals with Indonesia during 1958-60 that further affected India's dominant position as a chief importer of rice from Burma.

In 1960, India's purchase of rice had come down to 313,000 tons as against 480,000 tons in 1957. Imports from India also

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73 See Appendix VII.
declined by 22 per cent and further declining trend was
witnessed in 1961. Subsequently Burma's trade surplus with
India declined from 15 per cent of its total exports in 1959
74 to 9 per cent in 1961.

Gradually, India one time Burma's principal consumer, was
replaced by China. As a matter of fact, China came to assume
an important trade-partnership with Burma more significantly
only from 1960 onwards. Signing of a Treaty of Friendship and
Mutual Non-Aggression as well as the Boundary Treaty in early
1960 led to an extensive cultural, economic and technical
75 co-operation between China and Burma. China not only agreed
to give an interest free loan of £ 30 million to Burma but also
agreed to expand its trade volume and provide technical
assistance to the latter for building up its economy. Besides,
China became the largest customer for Burmese rice during the
76 year 1960-61.

The year 1962 witnessed a change of Government in Burma.
U Nu was replaced by General Ne Win. Most of the economic
measures taken by U Nu were dismantled. Many new economic

74 "Far Eastern Economic Review", 1962 Yearbook
(Hong Kong, 1962), p. 42.

75 Burma Weekly Bulletin, vol. 9, no. 41, 9 February 1961,
pp. 381, 383. Also see Peking Review, vol. 4, no. 2,

76 China whose intake of rice in the previous years had been
almost nominal came to supersede even Indonesia which had
been the leading customer for Burmese rice during 1953-60.
During 1960-61, China's total share of rice was 559 thousand
tons against 545 thousand tons of Indonesia. It was
followed by Pakistan and Ceylon with India ranking as the
fifth customer with only 259 thousand tons of rice during
the same period. For details about figures of rice intake
by China see Economic Survey of Burma, 1962, p. 53.
measures to improve the economic lot of the people were introduced by Ne Win. Indo-Burmese Trade received special attention and occupied prominent place in Ne Win's foreign trade policy.

In view of the deteriorating trend in Indo-Burmese trade, a new agreement was signed between them on 24 December 1962 at Rangoon. It came into effect from the date of signing and became valid for a period of three years, viz. upto 23 December 1965. It was also subject to such modifications as might be agreed upon between them at the beginning of each calendar year.

The agreement included the export of a number of commodities like cotton textiles, jute goods, fish, prawns, besides engineering goods, chemicals and pharmaceuticals etc. from India to Burma and import of items like timber, lead, and other mineral oils besides seed, potatoes etc. from Burma into India. Burma agreed to sell the minimum of 150,000 tons of rice each year during the period of the agreement. On the whole the level of trade between them was envisaged to be between Rs. 110 and 140 million under the agreement for the next three years.

79 For details of the agreement see India's Trade Agreements with Other Countries. As in Force on January 1, 1963 (New Delhi, Ministry of Commerce and Industry, n.d.), pp. 46-47.
80 Foreign Affairs Record (New Delhi, Ministry of External Affairs), vol. 7, no. 12, December 1962, p. 323.
It was agreed that payment was to be made by each country in convertible currency. Efforts were to be made "to achieve as near a balance in their trade as may be practicable". Reference was also made to promote the development and interest of shipping of both countries. This agreement was the result of a visit by a Burmese delegation to New Delhi to initiate talks and a subsequent visit by an Indian delegation led by V. Shankar, the then Secretary, Department of Food, Ministry of Food and Agriculture to Rangoon to conclude the agreement.

As a result of the trade talks, it was also expected that there will be closer techno-economic co-operation between the two countries for the mutual development of their economies. Thus the new regime under Ne Win made the beginning of a new phase in Indo-Burmese trading activities.

**India’s Aid to Burma**

Apart from trade which had been main source of foreign exchange earnings, Burma also needed foreign aid and loans. This she needed notably on two occasions -- firstly, during the insurgency period of 1949-50 and secondly during 1954-55, when a financial crisis arose due to steep fall in the prices of rice. During the insurgency period Burma also needed a lot of cash buying arms and meet the cost of its military campaign against the rebels. In such a situation it was the Indian

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81 India’s Trade Agreements, n. 79, p. 46.
82 Foreign Affairs Record, n. 30, p. 323.
83 Ibid.
Government which came to the rescue of the Government of Burma.

To meet the threats of insurgents Burma needed arms, ammunitions and money. On 12 April 1949, U Nu, the Burmese Prime Minister, came to Delhi to see Nehru and sought materials for use against the insurgents. No official communiqué was issued after U Nu's meeting with the Indian Prime Minister. Later, on 15 April 1949 U Nu revealed in Calcutta while on his way back to Burma that he obtained "almost all the things" he wanted. He also gave a first hand account of the situation in his country and said:

Burma is passing through a difficult period but I am certain we shall soon emerge to peace and prosperity. With neighbourly understanding and friendly co-operation, which we seldom failed to receive from India, we shall soon come to the end of our troubles. 35

The nature of U Nu's request to the Indian Government could be inferred from the fact that important cabinet Ministers including John Matthai, India's Finance Minister, were present at his talks with Nehru. That U Nu obtained arms from the Indian Government is beyond doubt, in spite of official reserve and secrecy about it.

84 The Hindu (Madras), 12, 13, 15 April 1949.
85 Ibid., 16 April 1949.
86 Ibid., 15 April 1949. Also see The Statesman (Calcutta), 13 April 1949.
87 U Nu disclosed it several years later in a speech to the APPFL members of the Burmese Parliament on 24 September 1955 that on two occasions he had asked for arms and had been able to receive it from India. First time about 5,000 small arms had been sent to Burma but were seized by Burmese army mutineers when they went underground. Second time when the Union of Burma was on the verge of collapse (1949), he personally went to India to ask for...contd. on next page
In addition to supplying arms and ammunitions to Burma, the Government of India also provided the former with loans both on multilateral and bilateral basis. These loans were given to Burma to maintain its internal economic stability in the face of insurgent activities.

At the instance of U Nu's request, Jawaharlal Nehru, the Prime Minister of India, invited an informal conference of the representatives of the Commonwealth countries on 23 February 1949 at New Delhi to find out ways and means by which they could be able to help the Burmese Government overcome its difficulties. Representatives of India, Ceylon, Pakistan, the United Kingdom and Australia attended the Conference. It was decided that the Commonwealth Governments would send a joint communication to Burma and offer their good offices to help the Burmese Government, and particularly, to explore the possibilities of mediation between the Karens and the Government of Burma. Later, the mediation proposals were dropped at the instance of U Nu, the Burmese Prime Minister to shun impression of interference in the internal affairs of Burma by the Commonwealth Governments.

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more arms and ammunitions. This time also India conceded to the Burmese request and without asking any questions gave Burma the arms it needed. India gave the arms without seeking any guarantees that further arms to be given would not suffer the same fate as the previous five thousand guns. See Burma Weekly Bulletin, vol. 4, no. 26, 29 September 1955, pp. 196-7.

88 The Hindu, 23 February 1949.
89 Ibid., 1 March 1949.
The question of assistance to Burma was discussed for the second time at the Commonwealth Prime Ministers' Conference at London in May 1949. There the Prime Ministers of four Commonwealth countries viz. Ceylon, Pakistan, India and Great Britain agreed "to give whatever support they can to the Government of Thakin Nu (U Nu) to the end that peace may be rapidly restored in Burma". Apart from that a Burma Aid Committee, comprising the ambassadors of Britain, Ceylon, India and Pakistan to Rangoon was set up to implement the decision.

The talks were held for a number of months in Rangoon to decide the amount of financial and military assistance that could be given to Burma, both for overcoming the difficult economic situation and for suppressing the country-wide insurrections. In December 1949, U.E. Maung, Foreign Minister of Burma visited New Delhi to discuss with Nehru "certain matters concerning Commonwealth aid to Burma".

Finally, it was in March 1950 that a Commonwealth economic aid programme for Burma was approved and it was announced that £ 6 million loan would be contributed to that programme. Of this total amount, India's share was fixed at £ 1 million, which in effect, was interest free. This loan, however was

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90 Ibtd., 13 May 1949.
91 Ibtd., 16, 18 December 1949.
92 At the Colombo Conference in January 1950 a loan of £ 7½ million had been recommended. As Canada, New Zealand and South Africa declined to subscribe this loan, the final amount of loan decided on 24 March 1950 was £ 6 million. Out of this total amount of £ 6 million, Pakistan and Australia were to pay £ 500,000; Ceylon £ 250,000 and Great Britain was to pay £ 3,750,000. See S.L. Poplai, Select Documents on Asian Affairs: India, 1947-50 (Bombay, 1959), vol. 2, p. 90.
expected to help the Government of Burma to stabilize the currency and check inflation as well as to create favourable economic conditions to restore its authority over the entire country.

Apart from this loan, India and the United Kingdom jointly decided to offer an advance of rupees 117 lakhs to the State Agriculture Board of Burma. The amount and the loan did not "amount in relation to the Burmese Government's needs for aid to more than a gesture of goodwill". They indicated "a willingness to underwrite the government of Burma".

India once again came to the rescue of Burma during 1954-55, when the latter faced a financial crisis and looked for foreign loans. In August 1955, U Raschid, a member of Burmese Cabinet visited New Delhi. The purpose of his visit was to negotiate a loan and credit arrangement with India. On 20 September 1955, it was officially announced in New Delhi that India had agreed to give Burma a loan of Rs. 10 crores. In addition, she had agreed to allow Burma credit amounting to another Rs. 10 crores to adjust her purchases in India.

At the same time in September 1955, Nehru wrote to U Nu that India was not in a position to offer Burma a bigger loan. The reason he expressed was that India's foreign exchange resources were already overburdened with the requirements of the First and Second Five Year Plan. Nevertheless, he assured

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93 Eastern Economist (New Delhi), vol. 14, no. 16, 28 April 1950, p. 630.

94 Foreign Affairs Record, vol. 1, no. 9, September 1955, p. 175.
Burma of India's fullest sympathy and co-operation in overcoming her present economic plight.

As Burma did not draw any part of the loan during the stipulated period, a fresh financial agreement was signed on 12 March 1957 between the Government of India and Burma in New Delhi to renew the same old agreement. Under this agreement a loan of 20 crores rupees was to be repaid at the rate of 4\% per cent interest in 24 half-yearly instalments beginning from 1 April 1960. Under this agreement if the Government of the Union of Burma so desired, any part of this amount was allowed to be transferred to Burma or to any sterling area country.

As a member of the Colombo Plan since 1952, Burma had not only been a recipient of financial assistance from India but also technical aid, in the form of training facilities. Colombo Plan was materialised at the Commonwealth Foreign Ministers meeting held in Colombo in January 1950, for promoting the economic betterment of South and South-East Asia. At this meeting a Consultative Committee was set up to survey the needs, to assess the resources available and required, to focus world attention on the development problem of the area, and to provide a framework within which an international co-operative effort could be promoted to assist the countries of the area to raise


their living standards. Burma became full member of the Colombo Plan at the Consultative Committee meeting held at Karachi in March 1952. On the other hand India was an original member of the Colombo Plan Consultative Committee and until the year 1962, she had provided sixty one training places to Burma. India, since had been sending her technical experts to countries of South and South-East Asia, two experts were sent to Burma also. Necessary facilities were provided to Burmese students, technicians and service personnel in fields of general education, civil, mechanical and electrical engineering, statistics, forestry, fisheries, agricultural medicine and allied subjects, sericulture, economic planning, power and fuel development, communication, transport and banking, insurance, taxation, handloom products, and budgetary procedures etc.

**Indo-Burmese Debt Settlement**

Debt settlement was an important financial issue in the Indo-Burmese economic relations. Under the separation agreement of 1937, Burma's debt to India was fixed at Rs. 50,79,31,000. It represented Burma's share of the net outstanding debt of the Government of India on the date of the separation and was not related to any amount paid to the Government of Burma. The debt was repayable in forty-five years with three and half per cent interest per year commencing from 1937-38.

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100 Constituent Assembly of India (Legislative) Debates, vol. 1, no. 3, 19 November 1947, p. 165.
The repayment of this debt and the payment of Burma's share of pensions were however, suspended in 1942 when Burma was overrun by the Japanese and had not been resumed thereafter. As a result, on 31 March 1946 Burma still owed India Rs. 48,14,55,147 out of the original debt and Rs. 2,99,35,151 on account of pensions, that is a total of Rs. 511,390,298.

The issue of repayment of debt to India remained unsolved during the period from Burmese independence to April 1954. The Government of Burma underwent great economic hardships during this period hence could not repay the debt. Nevertheless the repayment of debt issue was raised in India during the debates of the Constituent Assembly and the Parliament.

In reply to a question whether there was any likelihood of recovering this amount, John Matthai, the then Finance Minister of India stated in the Constituent Assembly on 23 December 1949 that "We are still exploring the possibilities in consultation with the Government of Burma." In reply to another question, he said, "we have not so far reached any definite conclusions" but it should be appreciated "that in the present financial position of Burma the question of payment presents certain difficulties."

Ultimately, it was on 8 April 1954 that G.D. Deshmukh, the Finance Minister of India, announced in the Indian Parliament the final settlement of the outstanding liabilities of the

101 Ibid.
102 Ibid., vol. 4, no. 20, 23 December 1949, p. 670.
103 Ibid.
Government of the Union of Burma to the Government of India. Keeping in view the principal objective of maintaining friendly relations with Burma, India under this agreement made a generous gesture of writing off 50 per cent of the capital, besides the entire interest charges due on Burma. The total debt amounted to Rs. 72 crores of which Rs. 48 crores was capital and the balance interest. Under the Indo-Pakistan partition arrangement, Pakistan was entitled to $17\frac{1}{2}$ per cent of Burma’s debt. Therefore, India’s share of the capital came to Rs. 40 crores which she now agreed to reduce to Rs. 20 crores only. Further, the repayment of this amount was linked with India’s purchase of nine lakh tons of Burmese rice at £48 per ton during the year 1954. As a result, Burma was to pay £13 sterling for every ton of rice purchased by India to be adjusted towards her debt. This came to Rs. 15.6 crores and the balance was to be treated as financial aid to Burma under the Colombo Plan.

Burma had, however, agreed to pay her share of the central pensionary charge which was seven-and-a-half per cent of the liability of undivided India. Burma had undertaken to commence payment of current dues in respect of this amount from 1 April 1954, while the arrears of Rs. 6 crores was decided to be paid in twenty equal annual instalments, without any interest.


The settlement of the debt problem speaks of the generous feeling that India had towards Burma. The difficulty of a country devastated by war had been understood by India. India hoped that her friendly feelings would be warmly reciprocated by Burma.

The generous attitude of the Government of India towards Burma had been commensurately appreciated by the Burmese Government. At a Press Conference held on 3 April 1954 in Rangoon, U Tin, Finance Minister of Burma expressed his government's "gratitude to the Indian Government for the amicable manner in which the agreement on the settlement of Burma's separation liabilities to India had been reached". The Hindu, an Indian daily in its editorial of 11 April 1954 appreciated India's gesture of goodwill in the settlement of debt problem. It reported:

This country has behaved towards Burma not only as a good neighbour but also as a good Samaritan.... The generous sacrifice she has made under the debt agreement and the admittedly liberal price offered for Burma's rice are an earnest of India's desire to place Burma financially on her feet and strengthen the economic and political ties between the two countries. It is heartening to know that this is fully appreciated in Burma. 109

107 The Hindu, 9 April 1954.
108 Ibid.
109 Ibid., 11 April 1954