CHAPTER - IV

THE REVOLUTIONARY COUNCIL (RC) AND THE BURMA SOCIALIST PROGRAMME PARTY (BSPP) : INTERACTION
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PROGRAMME PARTY (BSPP).: INTERACTION

After its formation in mid-1962, the BSPP was designed to be the main instrument for the mobilization of mass support for the RC. The Party and its subsidiary organizations - the Peasants' and Workers' Councils and the Lanzin youth - served the RC as a means of organisation.

For the first decade of the BSPP's existence the RC was, according to the party constitution, "The supreme authority of the Party during the transitional period of its construction".1 At the First Congress of the Party in 1971, its status changed from that of a nucleus Party to that of a mass party. Subsequently, the party was to lead the State, rather than the other way round. The Party was described as part of the machinery required to educate the people into the ways of a socialist democratic state and to organise the 'vanguard' of such a state in order to prevent the workers and peasants from being misled by parties of the left or right. It was not until the Law to Protect National Solidarity was promulgated in March 1964 that all other

political parties were banned. Under the terms of this law, all organizations, including religious bodies, were required to register and all political parties except the BSPP were to be disbanded and to turn their assets over to the state.

Less than two months after the coup, the RC had published a policy declaration entitled the Burmese Way to Socialism (BWS) revealing the long-range objectives of the new government. The RC produced the Constitution of the BSPP, the System of Correlation of Man and His Environment (SCME), the other two major documents guiding military rule. The BWS stressed the welfare state goals of a socialist society, which, according to it, "cannot be achieved with any assurance by means of the form of parliamentary democracy, that we have so far experienced. It considered socialist economy as the proportional development of all the national productive forces, entailing nationalization of all the means of production, including

agricultural and industrial production, distribution, transportation, communications, and external trade. In addition, the RC declared that it would implement key economic objective - nationalization, establishment of co-operatives, and allowing private ownership under certain conditions.

THE ECONOMICS OF NATIONALIZATION

Before discussing the military government's economic policies and measures, it would be necessary to examine the Burmese economy as it was before the coup d'état.

The Thakins who had shared in the independence of Burma were committed in principle to the primary responsibility of the state for the reconstruction and development of their war-devastated, ex-colonial economy. At the end of the war, General Aung San had repeatedly referred to the necessity of laws to abolish landlordism and to prevent land alienation in the future. It was this sentiment that lay behind the Constitution, adopted by the Constituent Assembly in September, 1947, the Two-Year Plan, and the Land

6. Ibid., p.7.

7. Burma : Revolutionary Council, Guidelines for Economic Plans - Part I (Rangoon, BSPP Hqrs., 1971), p.14. The ratio of nationalization was to be 50%, co-operatives, 40%, and private ownership, 10%.

Nationalization Act of 1948\(^9\). Section 30 of the Constitution read: "The State is the ultimate owner of all lands". It might "regulate, alter or abolish land tenures or resume possession of any land and distribute the same for collective or co-operative farming or to agricultural tenants.\(^{10}\)

The Land Nationalization Act of 1948 and the Two-year Plan represented the first concrete steps to fulfil these promises. Peasant debts that had accumulated prior to October 1946, had been in effect cancelled by two Acts in 1947. Under the new law, the government began to supply part of the credit required by cultivators at reasonable interest rates., tenancy and revenue rates were scaled down to manageable proportions.

The land nationalization and redistribution programme did not get under way until after a more careful act was drawn in 1953, amended in 1954, and then implemented. Foreign land holdings and certain other land holdings were then nationalized.\(^{11}\)


\(^{10}\). Ibid., p.6.

"The 1948 Two-Year Plan for Burma" was the first major statement of economic policy and planning goals for the country. It was designed to produce "an economy which will ensure that a fair share of the fruits passes on to the common man". It laid down goals for a two-year period during which a comprehensive plan for economic development was to be drafted. The plan laid emphasis on the fact that by October, 1952, Burmese cultivators restored and reclaimed some 3.2 million acres of paddy so as to produce 3.1 million tons of milled rice for export and that a steel rerolling factory for the utilization of war scrap metal would be set up within the first six months of 1948. This was the tone (of comment) and of commitment to goals for the eleven operative sections of the plan, viz., agriculture, forests, industrial development, fisheries, technical education, electricity, labour, transport and communication, finance, survey of natural resources, and economic research.

This highly optimistic statement of aspirations and target dates revealed both the temper of the times and the economic experience of its authors. Of the dozen and a half new industries that were projected, none was built on schedule, nor were the planners any more successful with other sectors of the economy.12

Successive Burmese governments proceeded to implement the policy. In January 1952, a preliminary survey and plan for the national economy was presented by a team of American engineers and economists working under a two-year contract with the government. This and their final survey are known as KTA reports. The preliminary report provided data for the Pyidawtha (Welfare states) conference of August 4-17, 1952. Pyidawtha came to be considered as the means of transforming and improving Burma's economy and of nation-building.

Industrialization was the key word in the early years of Pyidawtha. A much lower priority was given to agriculture, despite its basic role in the economy. The socialist philosophy of the AFPEL leaders, and their recognition of the instability of Burma's primary-product economy also prompted them to opt for industrialization. They believed that it would end the stigma of Burma's role as a "colonial" (or extractive) economy, a raw-materials economy. There was a general agreement at the Pyidawtha Conference of 1952 that all targets should be fulfilled by 1960, hence the name, Pyidawtha Eight-Year Plan.14

13. The contract, dated August 8, 1951, was held by the Knappen, Tippets, and Abbett (KTA) Company. See Burma: Preliminary Report on Economic and Engineering Survey of Burma (Rangoon, 1952).

The Eight-Year Pyidawtha Plan, 1952-60, included the targets for the same sector of the economy as the Two-Year Plan. It devoted more attention to problems of social welfare, (e.g. housing, education, and health), and concerned itself with the task of governmental structure and responsibility.

This concern manifested itself in the Plan for the Devolution of Powers and Democratization of Land Administration for the 10,000 village tracts and 200 townships comprising the 40 districts of the Union. A new act passed in 1953 provided for the election of village, township, ward, and urban councils.15

The plan called for an approximate 33 per cent increase in gross national product over pre-war levels. Decline in the price of export rice in 1954 (to the extent of 30-35 per cent) which provided for 80 per cent of the country's foreign exchange earnings impelled the government to recast the Eight-year-Plan in 1955-56. Since there were four more years to go in the execution of the Eight-Year Plan, this modified programme became known as the (First), Four-Year Plan.16 A more conservative and consolidated programme of industrialization, with accelerated investment in agriculture, was worked out.

15. Ibid., p.36.
It was found that Burma had not reached its Pyidawtha goals. Mismanagement, the insurrections, and the sharp dislocation in world prices for primary products were at the core of the failure. Interestingly, however, a major reason for the failure of the Pyidawtha Scheme was the fact that the Burmese leadership launched and partially carried out a huge socio-economic programme of reform and development while the military was slowly and painfully grinding down the Communist and ethnic rebellion that threatened the survival of the new state. During General Ne Win's caretaker government, targets derived from earlier decisions were, for the most part, retained.17

When U Nu took over on April 4, 1960, the leadership of the government, he concentrated primarily on re-examining the economic policies laid down previously. But before he could execute his plans, his government was supplanted in March 1962.

The Pyidawtha Programme achieved over 80 per cent fulfilment. A significant achievement, however limited, was that the 'colonial' economy was placed on the road to modernization.

It was not until January 1963 that the military government took serious steps to carry out its ideological goals. The BWS had called for complete ownership of all

forms of production, including agricultural and industrial production, distribution, transportation, communication external trades etc. "All such national means of production will have to be owned by the state, or co-operative societies, or collective unions," it had noted. Hence in that month, General Ne Win announced the adoption of a new economic policy, by which the functions of production, import and export would be taken over by the state. No new private industry would be started.  

With the outer in February 1963 of Brigadier Aung Syi (generally regarded as moderate) and the subsequent ascendancy shortly of Brigadier Tin Pe and U Ba Nyein as key spokesmen of the new policy, the pace of state control increased. Nationalization had begun with the Imperial Chemical Industries on August 1, 1962. It was followed by the Burma Oil Company in January 1, 1963. In February, the Enterprises Nationalization Law, stipulating that all major industries were to be nationalized by June 1' 1963, was promulgated. All banks, foreign and domestic, were nationalized on February 23. Nationalization of consumer industries (department stores, warehouses, wholesale shops) was announced in August 1963, and the People's Stores corporation was established on September 24, 1988 to handle all import and distribution of foreign goods and of local

18. BWS, n.5, p.6.

goods. Nationalization proceeded vigorously in 1964 and 1965.\textsuperscript{20}

After the promulgation of the National Solidarity (Protection) Law on March 28, 1969, the press was nationalized.

In this context the BSPP played an important role in the nationalization process. Party sympathizers, candidate members and military personnel of the BSPP were given change of the day-to-day administration, inspection, monitoring and cash control of the nationalized business throughout the country. The nationalized shops were later incorporated in the Ministry of Trade.\textsuperscript{21}

The nationalization process culminated in the demonetization of K50 and K100 denomination currency notes by May 1964, while the Enterprises Nationalization Law, and the Socialist Economy Protection Law of October 13, 1964 gave legal cloak to the Revolutionary Council's economic programme.\textsuperscript{22}

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\textsuperscript{21} The writer himself was a "Volunteer" of the BSPP and took charge of a wholesale shop during August-December 1964. Some of them were later absorbed as staff in the shops, while foreign nationals were dismissed.

\textsuperscript{22} Newspapers, printing presses, cinema halls, shipping agencies etc., were nationalized in the following year. For the countrywide events, and details of further nationalization see Guardian (Rangoon), April 10, 1964., New York Times January 3, 1966., February 8, 1969.
\end{flushleft}
In spite of the scale of nationalization, the effects were limited. By the time of the First Party Congress in 1971, there were no positive economic results of the military rule. Income per capita had risen from K335.5 in 1961/62 to K374.1 in 1971/72. It was still below the pre-war level (K395.3). The all-important rice production had not performed well. Acreage in paddy was 11,359,000 acres in 1961/62, it had risen to 12,300,000 acres by 1971/72, and paddy production had also grown from 6.7 million tons to eight million tons over the same period. Rice exports as a percentage of production, nevertheless, fell dramatically from 42.2% in 1961/62 to 14.9% in 1971/72. In quantum rice exports fell from 1,676,000 tons to 715,000 tons during this decade.

Public capital expenditures items on agriculture in 1964/65 had been 11.3%, by 1970/71 those were 4.4%.

The export trade had also decreased by about half during the same period. In 1961/62 it was K1271 million, but by 1971/72 it was only K686 million.

23. See Table 4 showing per capita GDP. Dates separated by a stroke (e.g. 1961/62, indicate Burmese Fiscal Year).
24. See Table 5 showing paddy acreage, production and exports.
25. See Table 6 showing public capital expenditures.
26. See Table 7 on Exports.
Imports of consumer goods had decreased as a percentage of imports. It had been 38.1% in 1964/65, but by 1971/72 it was 11%. 27

The balance in trade, which in 1961/62 had shown a surplus of K282 million, was in deficit to the tune of K234 million in 1971/72. 28 Foreign exchange fell from K8,190 million in 1965 to K3,461 million in 1972. 29

The consumer was not well off. The shortages of consumer goods officially imported were offset by qualified increases in smuggled goods. Medicines were in short supply, though hospitals had increased by 48.3%. 30

Since its inception, the RC and moved to fulfill its commitment to establish a nationalized and socialist economy. This was understood in terms of state or national corporate ownership of the means of production, distribution and external trade. The RC did not, as previous civilian governments had done, proceed from any overall two; four; or eight-year plan. Rather, it moved along an operational basis. Under the new Trade Disputes Amending Law (1968), the government seized all establishments

27. See Table 8 showing Composition of Imports.
28. See Table 9 (with graph) about Balance of Trade.
29. See Table 10 on Economic Indicators.
where labour disputes were in progress and suspended their operations.\textsuperscript{31} The RC also forced the liquidation of all joint ventures between government and private sector. Expiring private contracts were not renewed. Foreign trade became a government monopoly. Exchange control was extended to all remittances. Privately owned business in the hands of foreigners began to dry up as imported merchandise and exchange become difficult for them to acquire.\textsuperscript{32}

The entire business community was severely hit by these acts, but the heaviest blows fell on the Indian businessmen who controlled more than half of the trade and commerce of the country. It led to mass migration of Indians from Burma.\textsuperscript{33}

To nab the small businessmen and indigenous capitalists who were suspected of hoarding money, the RC announced on May 17, 1964, demonetization of all notes of fifty and one hundred Kyats. The Minister of Information explained this

\begin{itemize}
\item \textbf{32.} The RC took over the property of 16 organizations. They included the Burma-Chinese Chamber of Commerce, The Bharat Chamber of Commerce, the Burma Marwari Chamber of Commerce See "Burmese Government takes over more firms", Hindustan Times (New Delhi), August 26, 1963.
\item \textbf{33.} Statesman (New Delhi), August 2, 1965, p.4. Some 100,000 Indians had left the country by July, 1965; see also Keasing's Contemporary Archives, September 20 - October 3, 1964, 20315-16.
\end{itemize}
action in terms of eliminating "The black market". He also justified it on the ground that more than half of the money in circulation (some K.273 crores), was in these high currency notes, and was being used in ways damaging to the economy.34

The Burmese experiment with a sort of command economy hit the urban population hard. The RC, within three years of the seizure of political power, had launched and completed its programme of nationalization. It was so extensive that the socialist economy of the former civilian government seemed diminutive compared with the giant infrastructure of governmental boards, committees, councils, and corporations formed by the military regime.

The nationalization measures which aimed at forestalling "capitalists' sabotage", and to "reduce the cost of living for all the peoples of the Union", a move considered "necessary to assure cheap consumer goods to the people", represented the enforcement for hard-line brand of "total socialism".35 Nevertheless, what appeared to be in store for Burma was a socialist military dictatorship somewhat on the pattern of President Gamal Abdel Nasser's Egypt. The military system, according to the New York Times,


was "a re-action by impatient, quick-tempered General Ne Win to the chaotic-record of earlier parliamentary governments". The General was "trying to go too far, too fast....", it observed.36

The socialist economy established by the RC, except for a complete transfer of resources from the private to the public sector, remained unplanned in the modern sense of a centrally-planned socialist economy. The actual planning and operation of various state enterprises was done through short-term ad-hoc committees and councils, created as organs of stop-gap state actions in plugging the loop-holes attending a system of direct controls.37 The RC made decisions on major economic policies. There was no important state agency of national planning which could be compared to the State Planning Commission of China or the USSR.

The Ministry of Trade and Development had created the Trade Council, which constituted twenty three Corporations, the People's Stores Corporations. And these became a source of black-marketeering.38 As regards the banking system.


38. Zawana, ဒမာန် ကြက်ပန်း ကြီး (Cotton and Paddy smuggling), Kyemon (Rangoon), April 12, 1971, p.6.
The inefficiency in implementation led to massive withdrawal of funds. Again, smuggling began to play such an important role as a parallel economy, that any attempt to quantify the effects of improved consumer production would be meaningless. Nationalization failed to engender the increased standard of living. The benevolent objectives of low prices and equitable sharing of benefits were undermined by the shortage of goods and the resale of scarce commodities at exorbitantly high prices in the black market.39

The RC had expected that goods would now become available at fair prices. As the London Times commented editorially: "Like water, black markets quickly adjusted their flow when one channel is stopped. Thus failure is piled on failure. The latest move will probably clog the channels of trade even further: the Burmese regime had not learnt about incentives".40

The demonetization measure did not achieve the desired results. The regime was unable to detect the source of notes, as was obvious from the fact that not all demonetized notes were surrendered. The demonetization procedure affected 1.36 million individuals, more than 1 million of


whom were Burmese citizens. 41

Scarcity of goods was the price Burma had to pay for Ne Win's radical effort to put the economy in the hands of the Burmans. Almost every item of necessity was now rationed. Low state purchase prices had caused peasant production to fall and the government had no effective means of expanding rice-growing.42 In fact, General Ne Win had admitted in December 12, 1965 that the country's economy was "in a mess". He observed that this was due to "lack of experience, trained personnel, and reliable statistics". "If Burma were not a country with an abundance of food, we would all be starving," he had declared.43

THE ADMINISTRATIVE REFORMS

"In our road to socialism the existing bureaucratic administration is a big stumbling block. Steps will have to be taken to remove this bureaucratic machinery and lay firm foundations for a socialist democratic

41. Central Organizing Committee, BSPP: The Economic Affairs of the BSPP, No:1 (Rangoon, 1965), p.45. The value of the notes before demonetization was K1, 202, 167, 050, and after surrendering was K. 930, 777, 300.


43. (General Ne Win's speech at Party Seminar), Hanthawaddy (Rangoon), December 12, 1965, p.1.
one". 44 So the BWS had declared.

But Burma, like all modern states, functioned at its core only through bureaucrats. The RC, at the beginning of its tenure, was quite aware of this, and had striven to ensure that the civil servants were well treated and loyal. Some distinctions previously made between higher and lower grades of employees were abolished, lower grade employees such as drivers and cooks received enlarged benefits and many temporary employees were made permanent. 45 Following nationalization, those ministries whose primary responsibilities centred upon the economy experienced the greatest growth in full-time personnel. But the number of full-time employees in the Ministry of Home Affairs declined. The reduction of over 8 percent was probably the consequence of the passing over of many of this ministry's former duties to other and often lower level state and party organizations. 46

On March 15, 1972, the colonial style Secretariat was abolished and ministers were formally able to communicate

44. The Burmese Way to Socialism, n.5, p.2.


directly with their subordinate government departments, rather than through permanent secretaries. The district level of local administration was also abolished. Administrative guidance and policy henceforth had only to pass from the centre to the state, division, and town levels.47.

As early as in May, 1962, the Home Ministry had held a two-day conference to discuss the creation of a system of Security and Administrative Committees (SACs). It was these Committees which came to serve as the main structure of the RC's control of subordinate administrative organisations. The SAC system was organised from the centre downward through all the levels of administration to the village, tract of ward. The central SAC in Rangoon was directly responsible to the RC and was chaired by the Home Minister. The Committees, composed of local military commanders with police and civil administrative officers from the relevant level of administration, were chaired by armed forces officers at the divisional, state and also commonly at local levels. The main functions of the SACs seemed to have been to check on local bodies and to ensure that central directives were followed. Having army personnel in co-ordinating positions at all levels also gave

the RC direct access to all subordinate administrative organs through two networks, the civil administrative heirarchy and the military chain of command. 48

During the first ten years of their existence the SACs had no non-official personnel among their members. However, in July-August 1972, when the district level administration was abolished, the SACs were instructed to add to their membership representatives from the relevant Party Unit and Peasants' and Workers' Councils with others appointed by the government. In preparation for turning the SACs into elected People's Councils as the core of the new socialist democratic state under the 1974 constitution, the SACs were given executive and judicial powers. 49 Thus, by broadening the membership of the SACs with the infusion of BSPP workers, the government sought to subordinate the role of civilian administrators, creating an authoritarian set-up. 50

THE JUDICIARY

The RC reorganized the judicial system by abolishing the High Courts and Supreme Court, and replacing them by a single new Central Court of Burma. Initially, it was called

49. Ibid., p.94.
the Court of Final Appeal. Later on, it was called the Chief Court or Central Court. 51

Over the years, the RC replaced nearly all the original members. The RC created a set of Special Crimes Courts to deal with acts of insurrection, crimes against public safety, and those endangering life, property, culture and national economy. The RC extended the Public Order (Preservation) Act of 1948 to cover all states of the Union. The Act was modeled on earlier British legislation. 52

The judiciary had become a subsequent component of the RC executive function. As the Guardian, in an editorial said, "After all, according to Dr. Maung Maung. The judiciary forms the vital arm of the state, personified by the RC and its Chairman". 53

SEGMENTS OF OPPOSITION:
THE BEGINNINGS OF AUTHORITARIAN RULE

During the initial years of the military regime, which were the formative years for the BSPP, the party did not


52. This Act gave the government authority to arrest individuals suspected of committing or planning to commit "political" crimes, and to detain them.

53. See "Executive and Judiciary" (editorial), Guardian (Rangoon), February 3, 1964, p.4.
seem to have a significant role to play. This was because the regime, which faced opposition from several quarters, could resolve the problems only through coercion. The most active and vocal above-ground opposition to the military repression came from University students. Shortly after the new academic year commenced in June 1962, a student protest against the newly imposed restrictive regulations turned into a riot on July 7, 1962.\textsuperscript{54} The army was called in and several students paid the price with their lives. The authorities closed the Universities. The following day, General Ne Win ordered the total destruction of the Rangoon University Students' Union Building, declaring in a radio broadcast on July 7:

"I had no alternative but to meet dah with jaah and spear with spear".\textsuperscript{55}

Although the universities were re-opened later that year, the students again challenged the RC in 1963, and supported the opposition during the RC - insurgent parleys the same year. The students again went on a rampage on November 22, 1970, at the opening of the Student and Youth Festival at Aung San Stadium.

\textsuperscript{54} The new regulations required dismissal of a student who failed in his examination three consecutive times. See \textit{Guardian} (Rangoon), July 5, 1962, p.1

\textsuperscript{55} "Ne Win comments on students' riots", \textit{New York Times}, July 9, 1962, p.1. 'Dah' is a long knife.
Organized opposition to the RC also came from the Buddhist monks. On April 1, 1964, the RC ordered the registration of all organizations in Burma. At first this included the religious organization of the monks, the Sanghas. When the monks opposed the registration order, the RC tried to mollify the sanghas and finally back-tracked with regard to its policy toward the Buddhist clergy. Again in March 1965, a government supported All-Sangha Conference drew up a constitution for All Buddha Sasana Sangha Organization, making it compulsory for registration of individual monks. Several Buddhist monasteries and many individual monks refused to attend the Conference and denounced the results. After a month of violent protests, the RC moved forcefully, arresting ninety-two monks, and closing several monasteries. Outright opposition ceased following these incidents.

56. The students were protesting against the failure of negotiations with the rebels. See Nation (Rangoon), November 15, 1963, p.1., Times of India (Delhi), November 23, 1970. The riots were staged by angry students who could not get admission to the festival.


THE STIFLING OF ALL OPPOSITION

The process by which the BSPP at first co-existed with, and then replaced the legal parties was gradual. In July 1968, when leaders of the AFPFL and the Union Party spoke against the regime, they were jailed.60 Later, in November, when the above-ground Communists blamed the government for the failure of the peace parley, they, too, were jailed.61 On April 4, 1964, the government arrested the editor of the Nation for "hindering the implementation of internal peace".62 Traders, "economic criminals", were also imprisoned for "obstructing socialist economy".63

Unofficial figures, taken from newspaper reports, revealed that as of May 5, 1965, the RC had held a total of 4,635 prisoners including party politicians and their supporters, students, monks and businessmen, had released 1,900 and failed 2,735 of them.64

60. Botataung (Rangoon), July 20, 1963, p.3.
63. (Economic insurgents) a term coined by the Press in Burma.
REAPPRAISAL OF PRIORITIES

As the RC consolidated itself through a series of authoritarian measures in suppressing potent dissidence, the BSPP was nurtured simultaneously so that by 1971, it had transformed itself into a mass party.

There were a series of events in the later 1960's that were to have a profound effect on the economic policies of the RC. Some were economic, others political. It is difficult to determine which, if any, of these, among other possible factors, played a leading role leading to the First Congress of the BSPP and the economic decisions that it endorsed.

By 1967, the economy was in serious trouble. There were shortages of rice and other essential foodstuffs which were either not available or illegally sold in the black market at exorbitant prices. Riots by workers broke out in August 1967.65 Brigadier Tin Pe, the reputed architect of the doctrinaire socialist policy among the military, and U Ba Nyein, its civilian proponent, were losing influence.66

General Ne Win, had, by 1968, released most of the political prisoners, including U Nu. In that year, U Nu

travelled round the country raising funds for Arakanese victims of a typhoon wave. He was welcomed everywhere, and a few Kyats denated was a gesture of protest against the military.67

The anti-Chinese riots occurred in 1967 when the Cultural Revolution spilled over into Rangoon. In June the Burmese rioted against the Chinese as much because of economic discontent as of patriotism. The Chinese were accused of hoarding and raising prices during the rice crisis.68

In 1968, the major threat to security in Burma Proper was removed when, in September, Thakin Then Htum, leader of the Burma Communist Party (BCP) was assassinated by a member of his own group, and the BCP remnants from Central Burma retreated into the Wa state, on the China border.69 where Peking (now Beijing) gave the BCP support. General Ne Win also formed the Internal Unity Advisory Body of Thirty. Three civilians who were to report to him by May 3, 1969 with recommendations for the future structure of government.70. There was no unanimity of views in the final


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Eighteen members called for the reinstitution of the constitution of 1947, while eleven advocated a national unity congress leading to a single party socialist state. U Nu issued a separate report, demanding his return to power as the legitimate Prime Minister after which he would turn over power, as he had in 1958, to Ne Win legally under the old constitution. Ne Win rejected these alternatives, and U Nu was allowed to go to India in April, even before the final report was in. Later he tried to raise money to buy arms to overthrow Ne Win.

Since 1969, Ne Win had been moving concretely towards the formation of the BSPP as a mass movement rather than continuing it as an elitist cadre organization composed of a handful of military officers. With the acceptance of "candidate" members of the party, the RC sought to establish an institutionalized mass movement to legitimize itself. The First Congress of the BSPP from June 28 to July 11, 1971 brought together for the first time over 1200 delegates to the meeting. The Congress re-examined economic policy and the process of formulating a new state constitution, with the BSPP as the only legal political party.

72. U Nu's activities and nexus with insurgent groups have been discussed in Chapter V.
73. For the first BSPP Congress, see chapter III, pp.78-79.
LONG-TERM AND SHORT-TERM ECONOMIC POLICIES OF THE BSPP

During its First Congress the BSPP considered a paper that carried suggestions for important changes in Burmese economic policy. It was formally adopted as policy at the fourth meeting of the BSPP Central Committee on September 22-27, 1972.74

This paper, "The Long-term and Short-term Economic Policies of the Burma Socialist Programme Party", articulated a major shift in developmental priorities and operational procedures.75 These changes were justified in broad ideological terms, but they reflected a degree of pragmatism in approach to socialist planning.

This paper, 97 pages long in translation, called the drawing up of a Twenty-Year Plan to be divided into five four-year Plans. It stated that since the "conditions are not favourable for adoption of a definitive long-term plan at the moment"76 only general guidelines should be adopted for the Twenty-Year Plan. It called for the implementation of the BWS as the foundation of economic, social, and political objectives. It set forth broad areas that were


76. Ibid., p. 3.
permitted to the private sector and called for the diversification of the economy. The report listed the following priorities for development:

(1) to expand production in agriculture, fisheries, livestock and forestry sector and to increase their exports.

(2) to set up consumer goods industries to replace imports by expansion of agriculture, fisheries, livestock and forestry sectors.

(3) to raise mineral production to the highest possible level to lay foundations for heavy industries based on such mineral production. 

It also set forth the general economic policies of the BSPP. These were:

(1) to lay the economic, social and political foundations of socialism in the Socialist Republic of the Union of Burma within the twenty-year period.

(2) to have consistency of the economic policies between the various economic sectors.

(3) to achieve success in the implementation of the proportional development of national economy by planning.

77. Ibid p.3.
(4) to establish the economic system on a commercial basis.

(5) to guide and supervise systematically and to ensure that managerial responsibility is increased.

(6) workers should assume more responsibilities commensurate with getting more rights.

(7) to reduce damages and misappropriations of properties owned by public and co-operatives.

(8) to form a financial supervision system in line with the economic enterprises.

(9) to reduce the cost of production and to raise productivity.

(10) to reduce prices of basic consumer goods and to promote welfare of the working people especially in regard to food, clothing and shelter.

(11) to utilize the means of production for the country's optimal benefit.

(12) to eliminate unemployment and the black market.

(13) to establish the education system in line with the economic enterprises.

(14) to promote better economic relations with foreign countries.78

The Central Organizing Committee of the BSPP noted the defects of the Burmese economic situation. It mentioned 78. Ibid.
that the BSPP was not able to lay down a precise economic programme; co-operation and co-ordination among government organizations was weak, and the economic policies for each of them were inconsistent; the national economy was not implemented by planning; managers of government departments and public enterprises had not carried out their economic activities in commercial style; there was slackness in discipline among the workers; damages and misappropriations of public properties had increased with little punishment or effective action; due to defects in financial supervision, productivity was hindered; raising prices of some commodities due to financial difficulties led to higher commodity prices, affecting the cost of living; total investment of the country declined due to private investment not being permitted; due to the ban on private investments unemployment and black marketing increased; the present education system was not exactly in line with economic activities due to absence of manpower planning; high cost of production was due to emphasis placed more in the administrative than the productive sector; and weakness in economic relations with foreign countries.

The policy implications of this document for Burma were momentous. The industrialization strategy of the nation, the doctrinaire approach to a socialist state had come under severe attack. It was admitted that Burma was an

79. Ibid.
agricultural state and that this field should receive the highest priority in developmental planning. Together with the emphasis on forestry, livestock, and fisheries, stress would be placed on more traditional Burmese sectors of economic importance.

The second priority was to be given to the long-suffering Burmese consumer, by placing stress on the production of consumer products. The report had throughout emphasized the plight of the consumer. Through this policy paper of the BSPP the RC had recognized its own weaknesses, and called for reform. Of great significance was its tacit recognition that altruistic rhetoric alone would not make the Burmese economy to grow and that material incentives would have to be provided. The Party document had envisaged commercialization of state enterprises. It was a major shift in government thinking and of particular importance for the growth of the economy.

There was also a recognition that the government had been ignoring the private sector, which continued to have an important function in the society. The report indicated that the neglect of the private sector had resulted in stagnation in employment, while the government itself lacked the resources either to provide employment or goods. This had led to the growth of the black market and unemployment, serious problems which the BSPP had to face.
Importantly, it was recognized that Burma could no longer rely on its own resources. Outside assistance was required.\textsuperscript{80}

The reforms carried out since 1971, and the Policy Declarations were, however, not a guarantee that would be immediate shifts in the allocation of resources, that the blackmarket would henceforth disappear, and that the administration would automatically improve. Nonetheless this document was significant, in that, it was yet another attempt by the RC to legitimize itself through the BSPP.\textsuperscript{81}

TOWARDS THE CONSTITUTION OF 1974

Post-colonial Burma has been a society in search of a civil ideology, a national culture, that would provide a basis of legitimacy for the political order.

Under U Nu's leadership, there was an attempt to find a civil ideology predicated upon a synthesis of Buddhism and Socialism, with the emphasis on the former. U Nu's efforts were popular among a significant segment of the Burmese population, particularly, the ethnic Burman majority. Many

\textsuperscript{80} "Rangoon: Pressures For Change", \textit{New York Times}, December 17, 1971, p.6., also "Burma—where food and clothing are rationed", \textit{Straits Times} (Singapore), January 18, 1970, p.5

\textsuperscript{81} Lehman (ed.), n.67, p.45.
ethnic minorities, however, dissented, fearing that non-Buddhists would become second-class citizens and/or that unity would lead to Burmanization and to the eclipse of non-Burmese cultural traditions. Communists and some secular groups also dissented because they rejected the atavistic elements of U Nu's ideology. U Nu's success in the promotion of Buddhism as the state religion, also bred an adverse type of reaction from leading elements in the military, who felt that this ideology would lead to societal fragmentation rather than stable order. 82

Ne Win took over power with the avowed aim of building a national unity that would not be based on Buddhism but upon secular Socialism. The major instruments in the process of achieving this goal were the BSPP and the military.

As far back as 1964, General Ne Win had indicated that "a fully representative national convention might be held at an appropriate time to formulate just and permanent relations between all the races in the country, uniting them all in a United Burma". 83

82. Ibid., pp.80-81.

In this important policy speech, the first major pronouncement concerning such a future constitutional convention was made.

It was after five years, in November, 1969, that a new party constitution was drafted, and the RC promised a transition of rule by a close-but military elite to a "Socialist Democracy," having a broader base of popular participation. ⁸⁴

At its First Congress held in June-July 1971, the BSPP adopted the following statement: "Basic economic and political requirements having been fulfilled, the Union of Burma shall be built as a socialist democratic state on the following lines: (i) A State Constitution based on socialist system shall be drafted for the establishment of a socialist democratic state; (ii) the Party Central Committee elected at the Congress, shall accord priority to the formulation and execution of a detailed programme for the drafting of the State Constitution. ⁸⁵

"The drafting of the Constitution shall proceed on the basis of the following principles: (1) socialism shall be the goal of the state; (2) a socialist economy shall be adopted for the country and laws for its protection shall be

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⁸⁴. (Party Affairs) (BSPP Hqrs, Rangoon), pp.5-10.

promulgated; (3) socialist democracy shall be the basis of the constitution; (4) national races of the Union shall resolve to live in complete racial equality and unity in weal and woe; (5) the working people shall enjoy democratic and personal rights within the framework of socialist democracy and shall also perform conscientiously their duties towards socialism and the state; (6) other suitable provisions which would be of assistance to the establishment of a socialist democratic state shall also be made."\(^6\)

The BSPP adopted its constitution officially at the end of the First Party Congress on July 11, 1971. On September 25 of the same year, the Central Committee of the BSPP announced the formation of a 97-man Commission to draft a new State Constitution. The "Constitution Commission" was headed by Brigadier San Yu, a member of the RC. Its 97 members included 33 military officers, and representatives of workers', peasants' and ethnic groups.\(^7\) The Commission soon afterwards invited suggestions from the public. In October and November 1971, 15 teams of the Commission toured all parts of the country seeking suggestions and opinions of the people. In February 1972, the Commission discussed in its third meeting, the first draft of the Constitution. The

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86. Ibid.

87. For a list of the members of the Commission, see Myanmya-Alin (Rangoon), September 26, 1971, p.1.
Second Congress of the BSPP held in October 1973, approved and published the draft. Fifteen teams of the Commission again toured the country to explain the draft and seek suggestions. The BSPP Central Committee considered the draft on December 27, 1972, and set up nine Committees to draw the second draft. The BSPP Central Committee approved the same on March 16, 1973. Again fifteen teams toured the country to receive opinions and suggestions. The teams completed their work at the end of June 1973. The third draft was completed early in August 1973.

The BSPP approved this third and final draft at its Central Committee meeting on August 6, 1973.

Teams of the Commission again toured the country to explain the third and final draft. The RC also published the draft so that a referendum could be held to decide on the draft, and upon adoption of the new constitution, elections could be held for the new People's Assembly or Pyithu Hluthaw.

During the process of the drafting and approved of the State Constitution, the RC took steps to prepare itself for (Report on the Constitution of the Socialist Republic of the Union of Burma (Rangoon, Printing and Publishing Corporation, September, 1973). See also "BSPP Chairman's speech at 6th Meeting of Central Committee on August 6, 1973" in BSPP Chairman's Historical Speeches, (BSPP Hqrs., Rangoon, 1975), Vol.3, pp.299-300.
the forthcoming changes. The Burmese government, on April 20, 1972, announced that General Ne Win and 20 other military leaders had resigned their commissions. U Ne Win, however, continued as Prime Minister and head of the BSPP.89

As head of Burma's first 'civilian' government in ten years, U Ne Win's move seemed a prelude to the promulgation of the New Constitution. Most army members in the RC also resigned from the armed forces. Brigadier San Yu, the Deputy Premier, was appointed Chief of Staff to replace Ne Win and was given the rank of General Col. Tin U, another senior member of the RC, was promoted to the rank of Brigadier, and appointed Deputy Defence Minister.90

Despite the "civilianizaton" of the RC in 1972, brought on with the retirement from active military service of over 250 senior military officers in party or administrative positions, the government still remained a military one.91 The RC had claimed that the role of the military was but a transitory condition, giving hopes for what it described as true democracy, reiterating its resolve to transfer political power to the people once the efforts for mass organization

90. Ibid.
fructified. In fact, the RC had 'civilianized' itself to prepare for the transfer of power to itself and legitimize its rule through its own creation, the BSPP.

NATIONAL REFERENDUM

The first step in the adoption of the Constitution was to obtain popular approval. A national referendum was held from December 14 to 29, 1973. The turnout was large and the figures were impressive. The government claimed that 90.19 percent of the voters gave their approval. On January 3, 1974, the RC proclaimed that "The State Constitution of the Socialist Republic of the Union of Burma had been adopted by the people". 

The RC had promised more freedom of operation to the private sector in the New Constitution. As General San Yu said, "The New Constitution clearly states that private enterprises which do not imperil the socialist economy will be legally permitted to function".

This recognition of the place of private enterprise seemed to indicate a change in the direction of the BWS. In


94. General San Yu's address at Seikkyi Naval School on May 1, 1973. See also Forward (Rangoon), May 15, 1973, p.5.

117.
July, 1973, the RC gave a 30-year non-nationalization guarantee to privately-owned rubber plantations. It was, perhaps, a gentle turnaway from the vision of the pervasive corporatist state which dominated the first decade of socialist construction.

The 12-year military rule had been marked by widespread disappointment in Burma. The decontrol, in 1969, of some goods, particularly of food-stuffs, had failed to produce an immediate glut. In Burmese eyes, it was even worse that many things were totally unavailable from the government-controlled people's shops, but were available in the open (black) market at sky-high prices. General Ne Win's xenophobic polices particularly those pertaining to the economy did not find favour with important groups within the country. State-run organizations the world over are notorious for their capacity to turn into deficits, any well-run firms, and this was only too true in Burma. The Burmese economy was fast reaching the crisis point. The Foreign Exchange Reserves in 1971 at 50 Million Dollars (US) were at their lowest since independence. While world trade went up by 7 per cent per year, Burma's dropped by 68 per cent in 8 years to 100 million dollars in 1970. The stagnant economy also added long waiting lists of graduates


for employment. 97

With all those problems in mind, the RC compromised on its ideology out of sheer political necessity so that it could achieve legitimacy as the ruling class in the eyes of the people. Thus, after one and a half years of preparing, the much-publicized and stage-managed State Constitution was finally approved. Ne Win said that the promise he had made of returning political power to the people had now been accomplished. Actually he and most of the members of the RC and government were self-elected to the new institution, namely, the State Council and the Council of Government.