

## REPORT ON THE RESUMPTION OF BILATERAL ASSISTANCE TO BURMA

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I. Executive Summary

In a letter dated February 28, 1978, Deputy Secretary of State Christopher referred to an expression of interest by the Government of Burma in resuming a U.S. bilateral development assistance relationship, and requested AID to explore the feasibility of such an undertaking. To this end, an AID Team consisting of David Steinberg, ASIA/PT; Richard Newburg, ASIA/TR; and Albert Boucher, PPC/OAS; visited Burma during the period May 17-27.

After reviewing available documentation and conducting discussions with Burmese officials, the Team concludes that Burma meets FAA criteria in terms both of need and commitment to development within the growth-with-equity context.

The Team recommendation is that AID agree to resume bilateral aid beginning in FY 1979 at a modest level of \$5 million with a view to \$5 million increments over the next several years. At the same time, the Team believes that AID should proceed in a relaxed manner, accommodating to a Burmese pace and with a sense of urgency no more compelling than that expressed by the Government of Burma. Given the size of the Burmese economy, and potential for AID contribution, the Team recommendation is for an initial field staff of up to one-half dozen direct-hire Americans headed by an AID Representative. Special attention should be given to personnel selection since the success of any AID program in Burma is uniquely dependent on establishing close personal relationships with Burmese counterparts. The Team recommendation is that program strategy be deliberately unstructured so that program composition can initially rely on projects of opportunity within FAA priorities.

Because AID has not monitored the Burmese scene for over ten years, a portion of this report (Section III) is included which gives an overview of Burma.

## II. Analysis and Recommendations

### A. Purpose and Scope of Team Assignment

The purpose of the Team assignment was to assess the feasibility of activating an effective U.S. bilateral assistance program for Burma. This was to be accomplished through a site visit to Burma, both to consult with Burmese officials and to gauge the intensity of Burmese interests in resumption of U.S. bilateral aid, as well as to seek access to information supplementary to that available through regular IBRD, IMF, and ADB reports. The Team was to make a judgment regarding Burma's commitment to economic and social development and the relation of that commitment to AID's interest in promoting growth with equity. Should the Team conclude that reactivation of U.S. bilateral development assistance was justified, consideration was then to be given to alternative program strategies, aid levels, and areas for U.S. involvement. The Team was to offer its own recommendation regarding the preferred alternative, together with comments on organization and staffing and such other observations as might appear relevant to reaching an Agency position on aid to Burma. Appendix A contains the Scope of Work for the Team as notified to the U.S. Embassy in Burma.

### B. Receptivity to Field Visit

Prior to the Team's arrival in Burma, U.S. Embassy personnel, pursuant to a request from AID/W, made arrangements through the Ministry of Planning and Finance for a series of meetings with key officials of the Burmese Government. Following an initial orientation by the Ambassador and his senior staff, the Team proceeded on a round of consultations with Burmese officials over a nine-day period. Appendix B lists those Burmese officials with whom the Team met, plus the names of a number of foreign donor representatives and other individuals in Burma and abroad, also consulted by the Team.

The Team's first official meeting in Burma was with His Excellency U Tun Tin, Minister for Planning and Finance, and a member of the 15-man Central Executive Committee of the Burmese Socialist Programme Party (BSPP) which meets weekly with President Ne Win. After pointing out that the Team presence in Burma represented a first step in responding to a GUB request for resumption of U.S. bilateral relations, the Team explained that it was anxious for a fuller understanding of the Burmese scene, and hoped for some Burmese

expression of how AID might be helpful within the constraints imposed by the FAA. The Minister replied that he was very pleased to receive the Team in Burma. He noted that change was inevitable and that the GUB was anxious to exploit Burma's potential for growth and development. He stated that a benign climate perhaps made life too easy for the Burmese. Even so, development should be achieved without too much "enforcement" by the State. He concluded by informing the Team that "the door is open" and that the GUB would provide such information as may be needed.

The Team concluded that this first meeting with Minister Tun Tin provided a signal to other GUB ministries and agencies that they could be forthcoming in dealing with the Team. While subsequent meetings reflected varying degrees of GUB interest, all meetings were cordial and constructive. In a sense, these meetings represented a learning experience for both sides.

A field trip to Mandalay, arranged by the GUB, ostensibly as a visit to an ADB irrigation dam site, provided a "feel" for the country and an opportunity for relaxed discussion with GUB officials. A second meeting with the Minister of Planning and Finance on May 26 brought the Team visit to a close. Prior to this second meeting, the Team deliberated regarding the conclusions which might be conveyed to the Minister. Upon receiving a positive response from the Team, the Minister stressed the importance of patience in striving to cultivate a genuine understanding between Burma and the U.S. as a basis for a renewed bilateral relationship. Appendix C provides a Record of Conversation with Minister Tun Tin, and Appendix D represents a Summary Statement from the Embassy regarding the Team visit.

C. Burmese Policy Changes and the Commitment to Development, 1971-78

In preparing for its visit to Burma, the Team examined documentation available in AID/W. This included a February 2, 1978 IMF report on Burma which contains this dramatic opening sentence:

"During the past three years, the growth performance of the Burma economy has experienced a remarkable improvement, reversing the stagnation that prevailed during most of the past quarter century."

The challenge to the Team thus became one of assessing whether "reversing the stagnation" in Burma could be attributed to changed GUB attitudes and policies which would provide the basis for an effective AID association in Burma under the banner of growth with equity.

It appears that by the end of the 1960s a felt uneasiness began to permeate the Burmese body politic. The Revolution was in trouble. What was past was not perceived to be prologue. Actual movement toward reform can probably be tied to the meeting of the First Congress of the BSPP in July, 1971 which laid down guidelines and basic principles for economic planning to be incorporated into a Twenty-Year Plan, implemented through a series of five Four-Year Plans. These guidelines and basic principles were subsequently adopted in September 1972 by the Central Executive Committee of the BSPP. The reform platform was set forth in a 97-page document titled "Long-Term and Short-Term Economic Policies of the BSPP."

The Team finds this BSPP document to be a remarkably candid statement of the problems of "The Burmese Way to Socialism." First examining "the political, economic, and organizational experience of the Union of Burma for the nine-year period from March 1962 to July 1971," it then states:

"Although the economic basis of foreign and national capitalists and landowners in the economic sphere of the country have been dismantled within the nine-year period, the economic situation of the country has not yet been stable."

The "main defects" of BSPP stewardship are then listed and include the following:

1. The BSPP was able to lay down "a precise political program" but was not able to do the same for a "precise economic program."
2. Coordination is weak and economic policies are often "inconsistent."
3. Members of Government department and public enterprises have been carrying out economic activities "in quasi-administrative ways rather than in a commercial style."

4. There is "slackness and undiscipline throughout the economy."
5. Workers are getting more rights, but they are not "dutiful to their responsibilities."
6. Public property is "damaged and misappropriated" without corrective action or punishment.
7. State enterprises have a high cost of production and these costs are passed on to the State Trading Corporations.
8. Total investment has declined "due to private investment not committed for economic activities permissible to the private sector."
9. As a result of defects as cited above, "unemployment and blackmarket business are increasing."

The BSPP document continues by setting forth policy objectives for the Twenty-Year Plan which are designed to address past defects. Two specific objectives are worthy of note:

1. "To establish the economic system on a commercial basis."
2. "To utilize the means of production of public and private sectors for the country's optimal benefit."

Finally, the BSPP document lists those policy measures required for overcoming past defects and for fulfilling stated policy objectives. Each of six segments of the Burmese economy is examined in this tripartite fashion--defects, objectives and policy measures. The entire BSPP presentation is formulated "in accordance with changing realities in the economic, social and political spheres of Burma."

The Team is impressed by a number of salient points mentioned in the BSPP treatise including recognition of: (1) the role given to price incentives for increasing production; (2) the need to delegate authority to managers

and to make them accountable; (3) legitimizing competition among and between State enterprises, cooperatives, and the private sector; (4) prescribing profit-making "as an important indicator of enterprise success;" and (5) rewarding labor and management according to their contribution.

The reforms of the 70s must be related to the ideological base of the BSPP which is contained in the 1963 publication entitled "The System of Correlation of Man and His Environment." The document represents a mixture of traditional socialist concepts and Buddhist philosophy. "The System" can be summarized as contained in five key concepts: First, all things change. Second, although man and society are part of this impermanence, as a sentient being man can bring about directed change in his environment. Third, man is both a selfish and an unselfish animal. Fourth, a socialist economy can best bring out man's willingness to work for the common good. Fifth, socialism should be defined creatively, to account for the fact that all things change.

The Third Congress of the BSPP, meeting in January, 1977, reaffirmed the 1972 reform program, and amended the 1974 Constitution to reemphasize that Burmese Socialist principles "will be in full accord with times, place and conditions." It is this flexibility and this sense of impermanence which find antecedents both in Buddhist traditions and in the fundamental ideology of the BSPP. To the Team this also gave credence to the view that the BSPP group presently in power is prepared to move away from the rigidity of the past, providing only that there is no seeming departure from those basic ideas contained in "The System."

Additional evidence supporting the new development efforts of Burma relates to the Team's meeting with the Minister of Cooperatives. The Minister announced that he was a member of the BSPP "Politburo," and that Burma had reversed its prior posture of a "hermit-like" and "crab-like" existence. He observed that over the past quarter century Burma had "lost touch" with the outside world; that Burma must now "come out of its shell" and "catch up" for time lost. The Team believes that the Minister was consciously enunciating the pragmatic approach of the BSPP, as embodied in the person of Ne Win. The ideological and political transformation seems to have been accomplished. Now, time must elapse as a parallel change permeates the mind-set of the bureaucracy and the private sector.

#### D. The External Donor Community

Among the "defects" listed in the Long-Term and Short-Term Economic Policies of the BSPP was a "weakness in economic relations with foreign countries." Accordingly, policy measures laid down included efforts "to obtain foreign economic aids which will benefit the country." To this end, "negotiations were reactivated" with the World Bank beginning from 1973, and Burma became a member of the Asian Development Bank in 1974. It appears that Burma experienced some early difficulties in utilizing available external assistance, but is gradually increasing its absorptive capacity as it becomes familiar with the operating style of the various donors. In addition, recent fiscal reforms have served to eliminate a "local currency problem" which earlier threatened to impose a constraint on Burma's ability to utilize foreign aid. At the same time, the increased drawings on foreign loans, up from \$67 million in 1976/77 to \$164 million in 1977/78, and to a projected level of \$216 million for 1978/79, invites a precautionary posture because it is the totality of donor contributions, not AID alone, that determines absorptive capacity. In the past, the GUB has shown a weakness in project maintenance and follow-on support. Thus in any resumption of U.S. bilateral aid, AID should keep this matter in mind.

#### E. Basic Findings

The Team finds the Burmese economy to be in a state of flux as the "old" lingers on and the "new" struggles to flower. From among our Burmese contacts we sense a cautious optimism regarding the future of Burmese development, coupled with an anxiety not to become exposed to charges of unorthodox actions. Thus, the "technocrat" is a follower, not a leader.

In any event, Team confidence in Burma's new-found commitment to development is not premised solely on the declared intentions of the GUB. Important policy measures have been implemented, and these are summarized in Section III.D. below. In addition, two important policy measures were in the final stages of approval at the time of the Team visit. One measure concerns changes in rice price policy stemming from a ten-month Rice Commission study. The other covers an Operating Regulation to implement the Rights of the Private Enterprise Law enacted in November, 1977. Taken together, these policy initiatives of the GUB provide the basis for the Team recommendations which follow.

Clearly, the Team cannot guarantee that the prevailing reform momentum will not be reversed; nevertheless, the Team concludes that continuity of reform seems likely and a lack of certainty should not bar the U.S. from participating in what appears to be a resurgence of Burmese development. Stated differently, the U.S. cannot afford not to be involved in this process, and the chances of mounting an effective bilateral program in Burma fall within the boundaries of prudent risk-taking. At the same time, AID would be well advised to proceed in a relaxed manner, accommodating to the Burmese pace, and with a sense of urgency no more compelling than that expressed by the GUB.

The Team is convinced that the GUB is sincere in wanting to reestablish bilateral aid relations with the U.S. In this respect we recognize that the GUB might perceive advantages from this relationship not exclusively identified with the AID focus on growth with equity. Only a marginal development impact is likely to flow from AID dollar inputs. However, sagacious selection of key personnel could enhance AID's developmental contribution since the U.S. would be the only donor with a mission in place in Burma.

#### F. Program Options

In the Team view, options available to Agency management fall into three categories:

1. Defer a decision on resumption of bilateral aid to the post-Ne Win era.

This argument is predicated on the fact that Ne Win is mercurial, temperamental, and unpredictable. Since he is the Burmese Government, AID should bide its time for a more stable relationship. The counter argument is that, while time may not be of the essence, AID should start now to lay the groundwork for a solid relationship that may come to fruition only in the post-Ne Win era.

2. Offer to initiate a modest program beginning in FY 1979.

In terms of program magnitude, this might start with a token contribution of \$5 million and increase gradually to a level of \$25-30 million within a five-year period. The essential counter to this proposal is that Burma, with a population of 32 million and a per capita income of less than \$200, deserves a more forthcoming response from the U.S.

3. Propose a major program initiative beginning in FY 1980.

This might start at a level of \$20-25 million and increase gradually to a level of \$60-70 million within five years. The program would begin only in FY 1980 in order to allow time to make a presentation to the U.S. Congress, and to build up a shelf of project proposals. In this connection, the Team points out that the "indicative planning level" of the PPC formula for aid level determination, generates a figure of \$120 million for Burma. A counter to such a major initiative is that it exceeds GUB expectations, and Burmese absorptive capacity, and would entail a U.S. direct-hire staff larger than the GUB is likely to find acceptable.

G. Team Recommendations:

The Team believes that "Option 2," calling on AID to initiate a modest program in 1979 is the preferred option. Program composition and staffing would be subject to further examination should the Team's recommendation be followed.

1. Program Purpose.

We believe AID should be satisfied simply to identify with Burmese hopes and aspirations for economic and social development. This would initially preclude any concrete quantifiable program objective, other than gaining access to Burmese officials and testing ministerial competence and receptivity, and would be independent of any non-development benefit resulting from the achievement of other U.S. objectives in Burma.

2. Program Strategy.

Pursuant to the Program Purpose cited above, the Team believes that AID should, at least during the first several years, operate in a deliberately unstructured manner, responding to projects of opportunity which reflect a high intensity of Burmese interest for U.S. bilateral assistance and which are consonant with U.S. economic aid policies. Rigid choice of priority sectors should be avoided during this period, as GUB priorities may change in a post-Ne Win period. AID should also seek to establish an unobtrusive dialogue with GUB policy-makers, and utilize periodic Aid Group meetings as a vehicle for expressing U.S. satisfaction or concern with respect to Burmese development policy measures.

### 3. Program Level.

Subject to an expression of Burmese interest, and to availability of a valid Bilateral Agreement, the Team would propose a program up to \$5 million for FY 1979, increasing by yearly increments to reach possibly \$25-30 million within a five-year period. To a maximum feasible extent, this assistance should be provided on a grant basis. The Team would treat PL 480 as additive, but appropriate only in a strictly developmental context.

### 4. Program Composition.

Consistent with the Program Strategy set forth above, the Team would give priority to Burmese requests for project activities addressing a liberally-stated growth-with-equity approach, including institution-building and support to low-cost infrastructure undertakings; and also for projects which provide the potential for exercising AID participation through dialogue in project design and project implementation. As an interim measure, the Team believes AID should be receptive to Burmese proposals for co-financing on-going or planned projects of multi-lateral donors. Subject to agreement with the GUB on a realistic conversion rate for dollars, AID also should be receptive to any GUB proposal for utilization of AID's Fixed-Amount Reimbursement mechanism.

### 5. Organization and Staffing.

The Team believes strongly that any AID mission should from the outset be at the AID Representative level. The AID Representative should report directly to the Ambassador. Negotiation with the Embassy should take place in order to insure a measure of autonomy on development matters for the AID Representative with Embassy guidance continuing to prevail with respect to foreign policy matters. A mission presence of some half dozen U.S. direct-hire Americans, and an equal number of local personnel should be authorized. The mission could rely in part on TDY personnel stationed in Bangkok for project design, monitoring and evaluation. Beyond the traditional staff make-up, the Team would urge assignment of a non-operational, development economist. Such a person would be able to provide insights and perspective on the entire Burmese economy to Agency management in formulating a U.S. stance for Aid Group meetings, as well as to TDY personnel assigned to work in discrete areas of activity. Recruitment of staff should be on a voluntary basis, and limited to personnel temperamentally equipped to

cope with the realities of Burmese culture, and prepared to nurture effective personal relationships in Burma. The preferred posture for AID personnel would be one of mutual growth through dialogue. For security reasons, the Team would be inclined to support only those Burmese project proposals which can be implemented in Burma proper.

### III. Background

#### A. Historical Backdrop, 1941-71

The outbreak of World War II in Europe had repercussions in Burma. Many influential Burmese were dissatisfied with the slow progress of the British towards autonomy and independence, and some saw the opportunity to align themselves with the Japanese as a means to obtain independence. The land war in Asia was fought over all of Burma. It wrecked the economy, the infrastructure, and exacerbated tensions with the minority groups, as the Karens and Kachins sided with the British, while the Burmans at first were pro-Japanese and the Shans pro Thai. (The Thai received Kengtung State as an addition to their Kingdom for siding with the Japanese.)

The Burmese economy was destroyed by the seesaw battles fought over the land, the bombings by both sides, and the scorched earth policy of the British. In Asia, the destruction in Burma was second only after Japan. The Burmese delta, which had received the greatest concentration of agricultural investment in Asia, went into decay, as irrigation systems were damaged and land reverted quickly to jungle as the export markets closed. Following the war, Burma received little reconstruction assistance from the Allied powers, the economic impact of which is still felt. 1/

The Burmese, siding first with the Japanese, and when the Japanese did not live up to promises of Burmese independence, with the British, developed a mass army and organization, the Anti-Fascist Organization, into a political party at the close of the war, the Anti-Fascist Peoples Freedom League (AFPFL) which remained the dominant political party until the Ne Win Coup of 1962.

While the British were at first reluctant to relinquish control of Burma, the Labor Government, under Clement Atlee, negotiated with Aung San, the Burmese leader for Burmese independence. In 1947, Aung San and his "cabinet" were assassinated by a rival politician, and U Nu became leader of the AFPFL.

U Nu advocated, as has every government since Independence, a socialist form of government designed to improve the standards of living of the people. The "Pyidawtha" (Happy Land) brand of socialism was based on social and religious,

1/ For example, it was not until 1973 that Burmese on-shore petroleum production achieved pre-war levels.

rather than economic, principles. U Nu blended the skills of a sensitive politician, idealist, orator and monk, but not those of an administrator.

A parliamentary government, with a two house system, one of which was devoted to minority groups, struggled through two elections, the AFPFL maintaining supremacy while allied at various times with leftist elements, who occasionally formed parliamentary opposition groups or went into rebellion.

In 1958, the AFPFL split openly into two groups, the "Clean AFPFL", headed by U Nu, and the "Stable ASPFL," headed by U Ba Swe and U Kyaw Nyein. The insurgencies were growing and, in the light of the political crisis, General Ne Win took over in October, 1958, and ran what was known as the 'Caretaker Government'.

Mobilizing the military at all levels, Ne Win proceeded to deal effectively with the myriad problems facing the government. The Caretaker regime was strongly anti-communist although it contained the neutralist foreign policy that Burma traditionally followed since independence. Progress was evident. Military cadre, taught to make decisions, were given command of many industries and aspects of the administration, and moved rapidly to solve many outstanding issues.

True to his promise, Ne Win allowed elections to be held in 1960. While the army quietly favored the "stable" (anti-U Nu) faction of the AFPFL, U Nu, with deft appeal to the Buddhists, was able to win and in April, 1960 formed a new government.

In the face of growing threats of secession by the Shan State, and domestic political problems, Ne Win on March 2, 1962 led a coup which ended parliamentary rule in Burma.

The military moved quickly to strengthen the socialist doctrine which had become a hallmark of all Burmese Governments. Indicating through its rapid action that some in the military had long been considering such a move, less than two months after the coup "The Burmese Way to Socialism" was published and Burma, ruled through the Revolutionary Council, began to turn inward.

Based on a combination of Buddhist philosophy and Marxist thought, the philosophical basis of the government was formulated in the 1963 document the System of Correlation of Man and his Environment. The ideology supported both workers and peasants in a class struggle, and strongly espoused state socialism.

Major changes were made in the administrative structure of the government. The number of permanent civil servants more than doubled, but key leadership positions were given to military and retired military figures. Former politicians and key members of minority groups were jailed, often for years without charges, and the military conducted quiet purges of key high-level figures who might have been able to challenge the leadership of Ne Win. The military leadership of the former 'Caretaker' government was largely replaced in the first few years.

Foreign contact was severely limited, with private aid and private and public information services closed, missionaries denied visas to return once they left, and tourist restricted to 24 hour visas. Foreign firms were nationalized and all major enterprises were in state hands. Attempts were made to control and register the highly volatile (and pro-U Nu) monkhood.

Economic conditions began to deteriorate, as foreign aid dwindled and internal capital formation was insufficient. Paddy prices had remained constant for over a decade and production declined. The insurgencies sapped the government strength, foreigners (largely Indians and Pakistanis) were expelled, and Burma became isolated, a hermit nation--to the outside world one of the last exotic states.

#### B. The Burmese Milieu

While there are generic problems faced by the developing world, the setting in which those problems find expression has unique aspects which must be considered if AID is to deal effectively with equity and progress for the poorer elements of a population.

This is especially true for Burma. Burma shares a Theravada Buddhist tradition with other nations in the region in which AID works (Thailand, Sri Lanka, as well as Laos, Cambodia). Yet the Burmese colonial heritage, continuing pre-Buddhist traditions, ethnic diversity, and the contemporary political system under which Burma operates, together with the history of US relations with Burma, all provide a special backdrop against which AID must consider its potential role and longer range US interests in Burma.

It is not too strong to say that US-Burmese relations since independence have been generally poor. Burmese independence was closely followed by the formation of the Peoples

Republic of China and the entrance into Burma of the remnant retreating KMT troops where, according to a variety of reports, they were supported by Taiwan with US assistance. This led to closure of AID in Burma in 1953. (It was resumed in 1956.) The strident anti-neutralist policy of John Foster Dulles further exacerbated problems of US-Burmese relations. This anti-neutralist stance of the US was followed by political turmoil in Burma, with the rupture in the ruling party, the AFPFL, the Ne Win caretaker government of 1958, the return to civilian rule in 1960, all of which turned Burma inward.

The 1962 military coup in Burma, and the introduction of a rigid socialist doctrine and internal orientation which eliminated western presence for many of the private and autonomous US and British organization, was followed by a mutually agreed upon attrition, and eventual closure of the AID program (while ongoing projects were completed by a residual staff located in the US Embassy). The US involvement in the Vietnam war contributed to depressing mutually constructive relations. It is only with peace in East Asia and the internal Burmese reassessment of their economic needs that a new opening to Burma has occurred for the US. Yet this history of past tension could effect any future AID effort.

Burma has often been characterized as a xenophobic nation. The genesis of this attitude, some would claim, lies in the nineteenth century when, as British imperialism and occupation of lower Burma effectively isolated the country in central Burma from outside influence, the Burmese began to become more involuted. Relations with her neighbors were generally poor. Burma traditionally has had a strong rivalry with Thailand, and sporadic fighting with the Chinese, and fear of their power and numbers, has occurred for centuries. The Burmese have had strong prejudices against the subcontinent. Following the unification of Burma after the Third Anglo-Burmese War in 1886, and the formation of a state from heterogeneous satraps with ill-defined boundaries, Burma was ruled as a province of British India. This resulted in massive importation of Indian labor for both manual and clerical positions in the colonial administration, plus Indian control of retail trade and rural credit, which resulted in increased tension and culminated in anti-Indian riots in the 1930's, and the expulsion of many Indians in the 1960's. All this reinforced Burmese isolation within their own country. The anti-Indian (South Asian) bias in Burma, still strong, can be seen today in the problems with the Bangladesh settlers in the Arakan.

Xenophobia in Burma is not only an external phenomena, but Burmese attitudes towards the other ethnic groups within the country have continuously been a point of tension, a tension which was resolved in the short run (but exacerbated after independence) through a British colonial policy of division of hill areas from Burman hegemony. There are reasons historically for this. The Shans once ruled central Burma, the Mons controlled the south, the Arakan was conquered by the Burmese about the time of the American Revolution and Kachin southward expansion only ceased with the British occupation of northern Burma.

Burman attitudes towards non-ethnic Burmans have been poor, but accommodations between Burmans and minorities had existed in the pre-British period. Burmese attitudes relate closely to whether minorities have adopted Buddhism. Thus Burmans feel closer to the Mons, and to a lesser degree, the Shans, both of whom are Buddhists, than to the Karens, the majority of whom are either Christian or animist. Perhaps antipathy towards Christian elements is highest as these groups, in Burman eyes, were considered to have had special treatment and favors from the colonial administration. As a process in their conversion, they learned English and, therefore, could get administrative jobs. Minority groups were considered gifted soldiers, and the Burmese army was, during most of the colonial period, non-Burman as a matter of policy (e.g. the Kachin, Karen, and Chin Rifles, etc.). Xenophobia, especially significant in times of stress, should not be considered to be a significant factor (for US personnel) on a personal level. It is at the institutional or national level where problems could occur.

But personal relationships can effect institutional progress and ties. The personalization of power in Burmese society and the importance of personal relationships in understanding the nature of that society, cannot be overstressed. They are equally important for considering both the strategy and tactics of what foreign donor assistance can do in that society and how it might be organized. The implications of the importance of personal relations extend to both programming and personnel decisions.

As has been pointed out, concern with power pervades Burmese life. "There are few cultures that attach greater importance to power as a value than the Burmese. Distribution of power and status so permeate even social relationships in Burma that life becomes highly politicized." <sup>1/</sup>

<sup>1/</sup> Lucian Pye. Politics, Personality, and Nation Building: Burma's Search for Identity, Yale University Press, 1962. p. 146.

At the highest level, power is centralized in the hands of one person--Ne Win. It is Ne Win alone who makes decisions on a wide variety of policy and, indeed, mundane issues. No other leader in Burma can approach him in charismatic appeal, nor has any person the same capacity to manipulate the power structure. In much the same way that power is centralized in Ne Win as the national leader, power is also centralized in the leadership of individual ministries, corporations and other bureaucratic entities. Since the vast majority of both the bureaucratic and military hierarchy are from the army, they are part of a clique of military comrades who can relate to each other as members of the same club, chaired by Ne Win.

The centralization of power not only forces all decisions to the top, for fear of Ne Win personally, whose mercurial personality is legendary, but this is heightened by fear of offending the Burma Socialist Programme Party policy, for while Burma adheres to a socialist credo, in practice it has moved rather far away from it. Those who are not a part of the policy circle always must ponder what in fact policy is at any time. They may look to many of the more vehement and doctrinaire socialists who were purged in 1977, yet who could have been considered to be following Party policy. While recent policy shifts have been welcome in developmental terms, the lack of clear ideological lines, coupled with the social concept of power personalized, has frightened those who might have made autonomous judgments and further prevented the decision-making process from being decentralized. 2/

Since decisions are made (essentially) by one man, Burma is not plagued with the Thai disease--lack of coordination at an inter- and intra-ministerial level. If Thailand can be characterized by a set of autonomous centrifugal forces, Burma would clearly be a centrifugal force, where the narrowness of the decision-making channels constipates action.

Burma, in contrast to Thailand, is not a strongly hierarchal society. Even traditionally a sense of hereditary power was not evident in Burma as it was in Thailand. While hierarchies exist in Burma, they are more based on access to power rather than on heredity, inherited social prestige, family wealth, or academic accomplishment. Burma has been an egalitarian society with mobility extensive through education, the military, the monkhood, and the labor unions. Since 1962, mobility is clearly a product of the military channel.

2/ Many would claim that in Burma, as in Java, power is considered to be finite. Thus, sharing of power (central to local governments or superior to inferior) would diminish the power of those who share it. This is in marked contrast to the west. See B. Anderson. "The Concept of Power in Javanese Culture."

Since personal relationships replace institutional relationships in Burma, foreign donors, especially the US, because of our past difficulties at both the policy and program level in Burma, must move to establish first personal trust with the Burmese which may, over time, be translated into an institutional trust. Major powers are not regarded with favor in Burma, and the type and sensitivity of the personnel AID sends to Burma will determine whether institutional trust can be built.

While AID operates in a variety of Theravada Buddhist nations, the influence of Buddhism in Burma is especially important. It is not inappropriate to note that the Burmese feel "their personal and cultural identity is firmly associated with their religion." 3/

Buddhism has become associated with Burmese nationalism in a manner far more intense than other nations. While Thailand retained its monarchy, and its ecclesiastical structure, Burma lost their monarchy, and Buddhist hierarchy. The position of the head of the Buddhist religion in Burma, the thathanabaing, appointed by the King, was abolished by the British who prevented political activity for most of the colonial period. Nationalist expression found its legal avenues through voluntary Buddhist associations, such as the Young Men's Buddhist Association. The issue of "footwearing" on pagoda premises was a highly charged nationalistic issue, and Burmese monks became martyrs to the nationalist cause in the 1930s. Monks led the anti-Indian riots of the same period, and it is not without significance that the 1936 Rangoon University student strike members assembled on the premises of the Shwedagan Pagoda. U Nu overtly appealed to Buddhist sentiments to win the elections of 1960, and antagonized some of the minorities with his stress on Buddhism as a state religion. He won great support from the Burmans while causing concern among the Kachins, Karens, and Chins.

Buddhism permeates social life. At the village level, the monastery has been the seat of education, learning, social contact, and even healing. "Beyond the family, the only perdurable groups are based on religions and ceremonial activity; otherwise relationships tend to be contractual, dyadic, and fleeting... Life is characterized by attempts to minimize interpersonal conflict, to prevent confrontation, and to allow individuals to pursue their own ways without neighbor or community pressure." 4/

3/ Pye - op. cit.

4/ Manning Nash, The Golden Road to Modernity: Village Life in Contemporary Burma, University of Chicago Press, 1965. pp 319-20

The autonomy of the Burmese individual, the lack of highly structured class or caste relationships, the concept of Karma where each is responsible for their own future cycle of rebirths according to the merit they accrue, the freedom (in law and actuality) and high status of the female, and the lack of enduring non-religious relationships make for a highly fragmented society. It is this fragmentation; coupled with a series of essentially self-contained village communities, which has allowed Burma to continue to exist under such poor centralized economic management in the past. The shadow economy could be interpreted to be an economic aspect of this fragmentation.

As Nash noted:

Burma was first attractive, then, because of the newness of its nationhood and because it had, and has, a commitment to the building of a modern, welfare, and democratic state capable of generating continual economic growth and adapting to a changing world. The changes of Burma building or making of itself what its plans and aspirations called for were not hampered by that virtually omnipresent barrier or impediment in Asia: a dense, heavy population eking by on meagre land and other national resources. In terms of population and natural resources, Burma had the option of living at a level of primitive self-sufficiency or trying to build a modern economy. It was not locked into a set of vicious circles keeping the economy at a low-level equilibrium. 5/

While Burma at present has not opted for this democratic route, it still has the potential to transform the state with sustained growth or to continue its fragmented economies. The role of foreign donors could assist in the former process.

5/ Nash, Op. Cit. pp 314

C. Insurgencies: Ethnic and Communist

Burma is a country whose borders represent the arbitrary limits of colonial power, rather than ethnic solidarity. Chin tribes exist in Bangladesh; Nagas in India; Kachins have their major population in China, as do the Shans, where they have an autonomous area (the Sipsong Banna); and Karens are in Thailand.

The ethnic diversity of Burma, together with British policy of separate administration of the hill (ethnic minority) areas, resulted in a precarious fusion of the country in the newly independent Union of Burma in 1948. Aung San, the leader of the independence movement, had put together a fragile agreement with the minority groups at the Panglong conference in the Shan State in 1947, but his assassination, together with most of his cabinet, made this tenuous agreement even less firm than it already was. In spite of the formation of a 125 seat Chamber of Nationalities in 1948, rebellion quickly arose, in particular the ethnic insurrections of the Karens and Mujahids.

The Karens, largely pro-British, who had fought against the Japanese in World War II, had wanted an independent state. Located along the eastern border of Thailand, which also had a sizable Karen minority, the Karens had spread into the Irrawaddy delta where serious Burman-Karen riots had taken place during the wartime period. With independence, the Karens went into full-scale revolt under the Karen National Defense Organization (KNDO) and succeeded in reaching the outskirts of Rangoon at Mingaladon Airport, where they were finally turned back. Their revolt continues. No ethnic rebellion again threatened the continuation of the central government.

The Mujahids, Muslims operating along what is now the Bangladesh border where recent Burmese alien registration drives provoked a mass exodus of Bengali Muslim residents back across the border, were intent on establishing a separate Muslim state in that region.

The first Ne Win takeover in 1958, and again the coup in 1962, was prompted by fear that a provision of the original Panglong agreement which allowed the Shan and Kayah states to secede from the Union after ten years, if they so desired, might be implemented. Long frustrated by discrimination and the delivery by the central government of what they felt to be less than their share of the national budget, and the elimination of traditional rights of the Shan Sawbwas

(Maharajahs), the Shan went into revolt. They were followed by the Kachins (the Kachin Independence Army), while a variety of other smaller and less serious revolts among the Pa-O minority in the Kayah State, some Chins, Nagas, Mons, and others continued to plague the central regime. The total, but fragmented, figures for ethnic insurgents in 1978 was estimated from between 15,000-20,000, but some place the numbers substantially higher.

It should be noted that in no case were there coordinated or unified ethnic revolts, but rather individual groups and entourages operated separately, joining together and splitting depending upon the rewards of such ephemeral alliances and the political climate of the period. U Nu's efforts to set up a Karen State alleviated the pressure from the Karens but did not eliminate the rebellion which still continues. The Ne Win effort to set up a separate Chin State (it had been a separate special division, being considered too underdeveloped to form a state), a separate Mon State, and Arakanese State (both promised by U Nu) did nothing to mollify critics of the central regime, for these states had little autonomy. Ne Win established a Minority Training Institute in Ywathagyi in central Burma which was designed to train minority cadre in the Socialist Programme Party's doctrine and foster minority culture. This effort may have been modeled on similar minority training schools in China, especially in Peking and in Kunming.

During this period relations with Thailand continued to deteriorate, as Thailand, with traditional antipathy towards Burma, feared a leftist government in Burma. Thailand surreptitiously allowed rebellious groups (Karens, Shans, Kachins, and later U Nu's forces) to operate along the border from sanctuaries in Thailand. It has only been with the recent (May, 1978) visit of Prime Minister of Thailand Kriangsak to Burma that Thailand has begun to dismantle insurgent/narcotics trafficking bases on its western border areas, but there are indications that the changes are more apparent than real.

The communist insurrections had their origins as a political force following the Second World War when the communists joined the AFPFL, headed by Aung San, which was in opposition to the British. In 1946, the Communist Party of Burma, led by Thakin Soe, split off and became known as the 'Red Flags' and went underground, while another communist group, the 'White Flags', led by Thakin Than Tun, were expelled from the AFPFL. The 'Red Flags' were a Trotskyist group which, while always small, was extremely violent,

while the 'White Flags' were Stalinist, and had a greater power base, and early in the insurrection mobilized perhaps 75,000 troops. The 'Red Flags' were essentially eliminated in 1973 with the assassination of their leader. The 'White Flags' continued and are now known as the Burma Communist Party (BCP).

The BCP, which now numbers perhaps 8,000-10,000 armed insurgents, is the only extant rebellion, outside of followers of U Nu, which questions the authority of the central government on a national level and which is bent upon its overthrow. It is Maoist and is recognized by the CCP as the legitimate contending force for power in Burma. With some trained cadre from China, it may appear alien to the Burmans. It operates effectively in the Shan State where it has a relatively secure base east of the Salween River which it has been unable to extend. It is supplied from the PRC. It is now in "alliance" with part of the Kachin Independence Army, and, as many of the ethnic rebellions, especially the Shans, derives part of its support from the illegal opium trade in the Golden Triangle. While it has no secure base in Burma Proper, it is able to engage in some small but troublesome terrorist activities disrupting communications and causing diversion of Burmese troops from other areas. The various insurrections control a large part of the Kachin, Shan, Mon, and Karen States, and have made a number of areas in Burma Proper insecure.

Burmese authorities had hoped that with the elimination of the Gang of Four from the PRC, Chinese support to the BCP would be eliminated. However, this has not proven to be the case. Ne Win's visit to Peking in April, 1977 and the visit of Teng Hsiao-ping to Rangoon in January, 1978, did little to reassure the Burmese, and Chinese support to the BCP has continued. This has resulted in growing frustration with the Chinese, and may have been a contributing factor in the Burmese efforts to increase donor support from the West, and perhaps from the United States.

The Burmese army, the elite social and political groups in Burma, is now composed of about 162,000 troops spread over the whole country. While they can, at present, contain the various rebellions, they have neither the manpower nor the equipment and mobility to destroy them. The rebellions will continue to sap the capacity of the Burmese to take advantage of the great natural resources which are present in the Shan, Kachin, and Karen States, a sizable portion of the area of the nation. Mineral deposits, precious stones, and perhaps 80 percent of the teak reserves in Burma are in these areas and are effectively denied to the Burmese government.

The IMF data on Burma do not deal specifically with the defense expenditures of the Burmese Government. However, 1977/78 budget estimates show defense expenditures as representing about 26 percent of total Union Government expenditures. Other figures indicate that it may be closer to 30 percent. With no end to either the ethnic or communist insurrections in sight, it is apparent that defense will continue to be a major drain on GUB resources. It may be expected that a major proportion of the GUB resources and manpower will continue to go into this area.

D. Macro-Economic Analysis

Since the Team is not prepared to treat BSPP intentions as a proxy for performance, there is need to examine actual GUB behavior since the 1971-72 transformation. In this respect the Team is able to identify a number of recently enacted supporting policy measures affecting: (1) the operating efficiency in State enterprises; (2) an increased reliance on the price mechanism; (3) tax reforms which eliminate inordinate dependence upon deficit financing; and (4) a first step toward unleashing the Burmese private sector in the interests of increased production.

Not surprisingly perhaps, the Burmese Twenty-year Plan "delineates the economy as the state, the cooperatives and the private sector, and this delineation shall be taken as the strategic objective." In terms of GUB planning, and actual performance as of 1977/78, data is now as follows:

TARGET FOR SECTOR CHANGES BY TYPE OF OWNERSHIP  
(in percent)

	<u>State</u>	<u>Coops</u>	<u>Private</u>	<u>Total</u>
<u>Value of Net Output</u>				
Base Year 1973/74	35	5	60	100
End of Second Plan 1977/78	36	6	58	100
Twenty-Year Plan 1993/94	48	26	26	100
<u>Output of Production Sectors</u>				
Base Years 1973/74	17	4	79	100
End of Second Plan 1977/78	19	4	77	100
Twenty-Year Plan 1993/94	39	33	28	100

Implementation of Burma's Second Four-year Development Plan which covers the period 1974/75 through 1977/78 was completed in March of this year. According to data supplied the Team by the Ministry of Planning and Finance, the gross domestic product (GDP) in real terms rose at an average annual rate of 4.8% during the Four-year period of the Second Plan. During the same period population increased from 29.5 million to 32.2 million at an average annual rate of 2.2%. As a result, real per capita GDP increased at an average annual rate of 2.6%.

The economy, which experienced some serious setbacks in 1974/75, recovered moderately during 1975/76 due mainly to a series of fiscal, monetary, managerial and institutional reform measures adopted during the year. The economy made further progress as a result of the efforts made during the last two-years of the Plan period to raise the level of production and to step up the implementation of reform measures introduced in 1975/76. In addition, a program for strengthening the transport system was implemented; and interest rates on the saving bank deposits were raised for more effective mobilization of domestic resources.

One of the most significant reform measures introduced to curb inflation and promote production efficiency was the decision to operate the State Economic Enterprises on a commercial basis. In line with this action, the State Trading organizations were reorganized and a new distribution system was introduced in which Co-operative Societies were allowed to play active roles in internal trade.

Ministry of Planning and Finance data covering the distribution of factories and enterprises according to type of ownership, and to number of workers employed, shows:

NUMBER OF FACTORIES & ESTABLISHMENTS 1977/78

<u>Size</u>	<u>State</u>	<u>Coops</u>	<u>Private</u>	<u>Total</u>
Below 10 Workers	694	141	33,739	34,574
10-50 Workers	241	677	854	1,772
51-100 Workers	146	73	39	258
Above 100 Workers	<u>425</u>	<u>46</u>	<u>19</u>	<u>490</u>
Total	1,506	937	34,651	37,094

The economy, which recovered in 1975/76, started to gain momentum in 1976/77, registering a rate of growth of 5.9 percent. To stimulate exports and establish a more rational price structure, the procurement prices of some agricultural export products were revised upwards. A program for liberalization of imports was implemented to ensure a regular flow of goods required by the State Enterprises. To promote production efficiency, bonuses were disbursed to State Corporations based on performance and fulfillment of their assigned operating ratios.

The banking system was reorganized and a new taxation system was introduced. Though public investment doubled

in 1976/77, the state budget which had been in deficit over the prior few years showed a modest surplus due to the increase in tax revenue and current account surpluses of the State Enterprises. This improvement in the fiscal and monetary situation was reflected by the decline in the rate of monetary expansion which fell by 10 percent. Price controls imposed on some commodities as a short-term price stabilization measure were removed in 1976/77 in order to speed up the flow of goods.

The reform measures adopted during the previous years were implemented more extensively in 1977/78. Interest rates on the saving banks deposits and savings certificate were raised for the second time in 1977/78, to further encourage domestic savings. To facilitate expansion of exports, foreign exchange rates were readjusted.

In addition, the Trade Council, under the guidance and supervision of the Economic Coordination Committee of the Council of Ministers, systematically coordinated processing, shipping and procurement of export commodities. As a result, export earnings for 1977/78, which amounted to \$224 million, showed a considerable increase over that of the preceding year. The State Budget continued to show a surplus in 1977/78, while currency in circulation expanded by only three percent for the period ending September 1977. Along with the improvement in fiscal and monetary conditions, prices became more stabilized. Consequently, the Rangoon consumer Price Index for the middle income group declined by five percent during 1977.

With respect to the Third Four-year Plan, running from 1978/79 through 1981/82, the stated primary objective is "to steer the economy back on the growth path envisioned under the Twenty-year Plan." Investment is projected to increase at an average annual rate of 11.2% to reach an investment ratio to GDP of 21% by 1981/82. Exports are projected to grow at 10.8% per year to reach a ratio to GDP of 9.3% by the end of the Third Plan. The "growth model" distributed to the Paris Aid Group meeting of February 1978 by the Burmese representative shows a foreign exchange gap averaging about \$260 million per year in 1977/78 prices during the Third Plan. Significant macro/economic ratios for the Third Plan show as follows:

	<u>1978/79</u>	<u>1981/82</u>
	(percent)	
Ratio of external aid to investment	39	28
Ratio of external aid to imports	51	44
Ratio of external aid to exports	79	64
Ratio of external aid to GDP	6	6

Of the several policy measures scheduled for adoption during the Third Plan, the Team is impressed by two in particular. The first accords high priority to the formulation and execution of short-term agricultural development programs, and the second would formulate and implement programs covering "the rights to undertake specified economic activities and other forms of incentives to cooperatives and private enterprises in order to raise their production level." The Team notes that, although the Third Plan calls upon government to "promote the expansion of exports," no policy measures are identified for achieving this Plan objective.

In addition to summary information cited above, a fuller perspective on major features of the Burmese economy is available from data contained in a series of Appendices to this Team report:

Appendix E shows certain provisional national accounts data covering the Burmese economy for 1978/79.

Appendix F shows estimated net output by sector and by type of ownership for 1978/79.

Appendix G shows balance of payments data for 1976/77 and 1977/78 with a projection for 1978/79.

Appendix H shows in chart form the Planning Machinery of Burma.

Appendix I shows estimates of receipts and repayment against foreign loans and grants for 1978/79.

### E. Problems of the Burmese Data Base

Relative to other LDCs in the same stage of development, Burma can boast of an abundance of data.

However, the reliability and adequacy of those data for purposes of decision-making is a different matter. Data on "Burma Proper" are clearly more readily available than from the States. Moreover, little information is available on primary sources of data or on methods of compilation. Country Situation Reports of IBRD and IMF regularly contain economic and social data provided by the GUB. These data are not directly challenged by either IBRD or IMF. However, reference is made to a "shadow economy" for which there is a paucity of information. The Team is impressed with the need to focus on this shadow economy since its inclusion in the official data might significantly affect the Team's perspective on the nature of the Burmese economy.

As early as May, 1974, the IBRD in a Project Paper on Irrigation took note of the untoward consequence of using an over-valued foreign exchange rate for economic analysis. For its own purpose, IBRD used a shadow exchange rate of Kyat 10.00 = U.S. \$1.00 as against the then prevailing exchange rate of K. 4.82 = U.S. \$1.00.

The UNDP in an 1977 Road Sector Improvement Study commented on the difficulty of economic calculation in the Burma scene. It pointed out that in the case of road transport some vehicle tires were procured by truck operators at controlled prices while others, indeed the majority, were purchased in the open market at prices amounting to four times controlled prices. It followed that where project justification depended on savings in tire wear, project benefits could show a positive benefit at open market prices but not at controlled prices. The anomalous result might be that improvement of a road used mainly for the shipment of rice (controlled price) would not be justified, while improvement of a road used mainly for uncontrolled commodities--even smuggled goods--would be justified. The UNDP alluded to a possible shadow exchange rate of K. 13 = U.S. \$1.00, when the prevailing exchange rate was K. 6.67 = U.S. \$1.00.

In a Country Situation Report on Burma dated January, 1975, the IBRD noted that "with insufficient supplies, the official distribution system lost control over a large part of trade." Because of price differentials "most of the goods produced by the industrial public sector leaked in one way or another to private sector trading." The Bank also referred to "an extensive and rapidly growing illegal trade" with neighboring countries. The Bank went

on to say, "some observers estimate that this trade may be at least equivalent to about half of the official export trade, i.e., around \$60 to \$70 million and possibly much more." (A subsequent Embassy estimate used the range of \$120 to \$140 million.) Finally, the Bank pointed out that the Rangoon Consumer Price Index "does not take into account leakage to the black market of an important portion of goods supposed to be sold to consumers at official prices"....and...."that three to four-fifths of consumption needs have to be met through purchases on the black market."

In a Report of July, 1976, IBRD pursued the same theme, referring to the gap between official and free market prices and lack of an incentive price system. The Bank pointed out that "by leaving the clearing function to the unofficial market, the GUB implicitly condoned a large transfer of resources to the private sector."

Even as late as October, 1977, IBRD was still observing that "an increasing share of production was either traded in the unofficial market or was smuggled abroad at a multiple of official prices." The idea of a flourishing "parallel market" is reinforced by a comment from a donor country ambassador with extensive experience in Burma who advised the Team that in his judgment the magnitude of smuggling was equal to the value of official exports and imports.

In a discussion with the Chairman of the Central Bank, the Team raised the question of an "equilibrium" exchange rate. Although the Chairman declined to speculate on this matter, he did offer information that, for purposes of testing the economic viability of a state enterprise, use of a shadow exchange rate of up to K. 15 to U.S. \$1.00 was permissible. In general, the Team would associate with an Embassy position which finds the impact of the shadow economy in Burma as going beyond economics into political and social fields. A whole new class of entrepreneurs has been created who, ironically, may be viewed "as both the product and the savior of the Burmese experiment with Socialism."

Another illustration of the peril of relying on Burmese statistics for country assessment and policy analyses, is found in the case of vital statistics. Official GUB data for 1977/78 show as follows:

Crude birthrate	29.1 per 1,000
Crude deathrate	10.7 per 1,000
Infant Mortality rate	56.3 per 1,000 live births

Notwithstanding these data, GUB uses 2.2 as the official figure for growth in population. Actually, the data cited above cover only 73 towns. Moreover, Burma has no system for collecting vital statistics, but instead relies on volunteers such as health assistants working in town and village clinics. In its meeting with Ministry of Health people, the Team was advised that the above cited data might be low by as much as one-third, even for this limited coverage. In terms of total Burma-wide coverage, one informed official from the donor community ventured the opinion that infant mortality might run as high as 140 per 1,000 live births. Given the average of six members per household, as revealed by a number of sample surveys, and a relatively youthful population, the Team is suspicious that the population growth rate for Burma is significantly understated.

Concern of the Team with respect to the Burmese data base is that no coherent picture is available covering the totality of the Burmese economy. This has frustrating consequences for those seeking to assess country performance. We are satisfied, for instance, that GDP expressed in local currency is understated for Burma by exclusion of many transactions in the parallel market. On the other hand, GDP expressed in foreign currency is overstated by virtue of using an overvalued exchange rate for conversion into U.S. dollars. The ratio of exports and imports to GDP is understated because of the exclusion of smuggling. For the same reason data on the debt-service ratio for Burma is overstated. Official data show consumer imports at about 10 percent of official imports. However, this figure would rise to over fifty percent were smuggled imports included. By using an official exchange rate in converting Burma's import surplus to local currency for purposes of national accounting, the ratio of foreign saving to GDP is understated. We could go on. The point is that, in the absence of a reliable and complete data base, any effort to assess performance of the real economy of Burma is fraught with difficulties. This in turn has implications for policy analyses and for program formulation.

## F. Agricultural Sector Overview

### 1. Introduction

Burma is endowed with a rich resource base for agriculture, forestry and fisheries. It stretches almost 1,300 miles north and south between 9°58' and 28°31' north latitude, has a coast line which runs from 10° to 25° and a continental shelf which covers 82,000 square miles, rich in fish resources. The land area which covers 261,220 square miles (167 million acres) has the largest teak forest in the world and a wealth of other hardwoods. The climate is a typical tropical to sub-tropical monsoon type with rainfall coming mainly in the summer monsoon months of mid-May to mid-October. Average rainfall varies from about 40 inches in the dry zone to over 200 inches in the coastal regions. Although rainfall is high enough for cropping even in the dry zone, the variability makes cropping risky in some areas. The four major rivers, the Irrawaddy, Chindwin, Sittang, and Salween, flow from mountainous areas in the north to the seas in the south and west side. They form a large alluvial basin with mountains on the east and west and the sea on the south. There are many small valleys in other parts of Burma suited to cultivation. In 1976/77 the 167 million acres land area was utilized as follows (in millions of acres):

Net area sown	19.8
Fallow area	4.9
Culturable waste	21.9
Reserved forest	23.5
Other forest area	56.0
Other lands	41.9

The Ministry of Agriculture and Forestry estimates that 50 percent of the area sown in alluvial soil, generally deep and variable in structure ranging from "stiff clays to sandy loams," located mainly along the Irrawaddy, Chindwin, and Salween rivers. Thirty percent is black, mostly clay soils, generally found in the lower rainfall areas. These generally require irrigation and at the same time suffer from drainage and erosion problems. The remaining 20 percent is red lateritic soils generally acid and associated with undulating topography.

Most of the soils in area being cultivated are reported to be fairly high in available phosphorous and

potash, but low in organic matter and nitrogen.<sup>1/</sup> Forests, which cover 57 percent of the land area, vary widely in type. The most important are deciduous forest generally found in 40-120 inch rainfall areas which contain most of the teak and other hardwoods. Next in importance are tropical evergreen forest which are generally found in higher rainfall areas and in cool valleys with rainfalls of 60-120 inches.

Although only 19.5 million acres currently are tilled, most of the 5.1 million acres in current fallow and 21.1 million acres in culturable waste, probably could be tilled on a permanent basis with proper conservation and yield sustaining cultural techniques. However, the Ministry assessment of the potential is necessary before bringing this wasteland under cultivation (or forage).<sup>2/</sup> Area in forage grassland and forage crops were not found in available reports. However, the amount of land suitable for forage crops probably is large.

Only a small part of the total area sown is irrigated (12 percent) and only a small part of the irrigated area is double cropped (14 percent). Rice occupies about 55 percent of the cropped area--then sesamum, beans, pulses and groundnuts.

Burmese agriculture has grown very slowly with an increase in net area sown (17.6 million acres in 1940/41 to 19.8 million acres in 1976/77) and only modest increases in yields.<sup>3/</sup> Between 1961/62 and 1976/77, the contribution of agriculture (crops) to GDP declined from 27 percent to 26 percent, livestock and fisheries from 7 percent to 5.6 percent,<sup>4/</sup> and forestry went up from 2.37 percent to 2.97 percent.<sup>4/</sup> Agriculture contributes about 80 percent of total exports and provides employment directly for about 66 percent of total workers. Burma is predominantly a rural society with about 85 percent of the population living in rural areas.<sup>5/</sup>

<sup>1/</sup> "Notes on Agriculture in Burma" 10 January 1978, pp 1-6  
"Notes on Fisheries in Burma" 6 January 1978, pp 1-4  
"Notes on Forestry in Burma" 10 January 1978, pp 1-7  
"Notes on Livestock in Burma" 1 January 1978, pp 2-5

<sup>2/</sup> Ministry of Agriculture and Forestry.

<sup>3/</sup> op. cit.

<sup>4/</sup> op. cit.

<sup>5/</sup> op. cit.

Despite a relatively large livestock population, production of livestock products is low and draft animal power reported to be in short supply.<sup>6/</sup> Red meat and poultry combined was about 8 lbs. per capita in 1975/76 and milk about 35 lbs. per capita.

Food intake levels have generally been considered good, partly because of abundant and cheap rice. Rice costs typically represented only a very small part of the workers' wages in the 1950's and 60's and early 1970's. However, two small surveys in 1974/75 and 1977/78 showed serious deficiencies of some nutrients among some groups. Calcium and B<sub>2</sub> deficiencies were most general and serious especially for pregnant and lactating women and young children.

Table  
Food Intake as a Percentage of Requirement  
Two Small Samples 1974/5 and 1977/8  
Percent of Requirement

	Calories	Protein	Calcium	Fe	B <sub>2</sub>	Niacin
<u>1974/5</u>						
1-3 years	63	91	38	48	28	40
4-5 years	70	148	41	109	44	56
Preg. Women	80	100	26	53	45	58
Lact. Women	65	88	21	72	33	50
<u>1977/8</u>						
7-9 yr. student	89	135	39	138	33	53

Source: Report to the Pyithu Hluttaw on Financial, Economic and Social Conditions of the Socialist Republic of the Union of Burma for 1977/8; Ministry of Planning and Finance; 1977; pp 29-33.

<sup>6/</sup>Notes on Livestock in Burma, Ministry of Agriculture and Forestry.

## 2. Rice Production

Rice is by far the most important crop in Burma in terms of acreage (over 50% of the total cropped area), production 9 million tons unprocessed, export (about 51% of total exports), and domestic food intake.

In the years prior to WW II Burma was the world's largest rice exporter, with annual exports for 1936-7 to 40-1 averaging 2,817,000 tons from an average crop of 4,727,000 tons, milled basis. However, by 1970-1 to 1972-3 the crop had declined to 4,668,000 tons and exports to 466,000 tons.<sup>1/</sup> In 1977-8 the crop is expected to be about 14% higher and exports about 600,000 tons.

Yields have risen slightly in the 40 years covered by the table but area is almost the same and production in most recent years is only 15-20% above the late 1930s. During the period population has more than doubled.<sup>2/</sup>

Several reasons for stagnation in rice production have been identified:

Prices held at low levels over extended period.

Uncertainty about land tenure which discouraged investment.

Shortage of labor.

Shortage of draft animals.

Lack of credit.<sup>3/</sup>

Limited amount of public works--spasmodic largely because of industrial and export diversification goals,<sup>4/</sup> partly result of export market uncertainty of 1950s and 1960s.

In 1956-7 a vigorous effort to expand acreage was made, but such efforts were more than offset by switches

1/ Richter, H.V.; Burma's Rice surpluses: Accounting For the Decline; Studies Center, Canberra, Australia

2/ Richter, P5

3/ Richter, op cit

4/ Richter, loc. cit.

to more attractive, often free market crops and abandonment of margin land. By the end of the 1960s Burma's rice acreage dropped to 4.5 M hectares from 4.9 M hectares in 1936/41.

Richter suggests that the biggest factor responsible for declining rice yields has been reduction in labor input--despite a sharp increase in rural population and reduction in farm size. Chief causal factors are reduced security in outlying fields which limited work to daylight hours and prevented workers from staying overnight in field huts; scarcity of mobile labor increased real wage rate coupled with lack of credit. Another factor cited is lack of consumer goods and hence incentive to earn extra cash. Less careful land preparation and shift from transplanting to broad cast (near 100% to under 60% in 1971/2) were results of labor shortages. This latter factor alone Richter estimates would cost 600 Kg per hectare.<sup>5/</sup> It also requires about three times as much seed--a factor apparently not accounted for in GUB statistics. Exotic strains have had little success. In 1973/4 HYV were reported to cover only 5% of the area. Factors are lack of water control, too early maturing, low prices resulting in low input cropping, and taste preference.<sup>6/</sup> Through the 1950-60s and early 70s the fertilizer price was much too high for use on rice, even HYV. After the urea plant came on stream in 1971, urea use became economic at official fertilizer prices to farmers who could buy at the official price which is limited to those selling rice to the Government. The black market price for rice was much higher, but generally only traditional varieties were taken at this high black market price. Farmers obviously would prefer to deliver HYV against quotas. It was more profitable to raise traditional varieties for the black market without fertilizer than exotics for the Government at official fertilizer prices.<sup>7/</sup>

Storage losses have increased greatly due to Government action which discourages investment in storage, inadequately planned and provided for government storage and due to the increase in percentage carried over for home use.<sup>8/</sup> Burma has pursued a policy of insuring cheap rice

<sup>5/</sup> Richter, P 15-16.

<sup>6/</sup> Richter, P 19.

<sup>7/</sup> Ibid, P 20.

<sup>8/</sup> Ibid, Ps 20-24

for consumers. Rice in an average family budget would take only 17% of family expenditures. A 1964 survey found rice took only 10% of the budget of an average Rangoon worker.<sup>9/</sup>

As reported by Richter,

"1972/73 was a year of upheaval. Responsibility for the procurement and distribution of domestic rice supplies was handed over to the fledgling co-operative societies, aided by the Security and Administration Committees (SADS). Township co-operatives were made responsible for purchasing paddy for their rice needs, arranging milling and distribution, with the exception of some hill areas, whose trade continued to be handled by Trade Corporation No. 1. Those in rice deficit townships were to make contracts with co-operatives in rice surplus townships, while those in self-sufficient areas were to operate within their realm. The result was near chaos. Individuals, traders and local authorities including the SACS, tended to seek out and hoard supplies. Free market prices were pushed up to their 1967 levels again.

"Then came the first basic switch in rice price policy since independence: a mixture of incentives and compulsion, rather than regulation. In May 1973 state controls on the sale, purchase, processing and transport of rice were lifted. For 1973/74 official paddy procurement prices for all varieties were raised by 40 to 50 percent and delivery quotas were set which allowed farmers to keep ten baskets of paddy (209 kg) for each member of the household. The rest was to be sold to co-operatives or state delivery stations. Grain procurements failed to reach planned levels.

"For 74-5 official procurement prices were again raised sharply, by 50 percent, to two and a half times their 1971/72 level. Delivery norms ranged nominally from 20 to 66 percent of

<sup>9/</sup> Ibid, Ps 20-24

output according to the size and productivity of the farm: but exemptions reduced the proportion to 20, 30 or 40 percent of production, while deliveries of 75 percent of norms for the whole township were considered satisfactory."

### 3. Agricultural Production Potential

Available information indicates that Burma has a very impressive potential for increasing overall agricultural production.

- Only about 12 percent of the total land area is now cropped; much below the potential based on soil class and climate.
- Only about 14 percent of the irrigated area is double cropped. The same percentage of the total area is double cropped.
- Only a small percentage of the potentially irrigable area (by surface or ground water) has been developed. In 1976-77, 2.3 million acres were developed for irrigation, mostly surface. Another 2.5 million acres was in the planning stage.<sup>1/</sup> Yet reconnaissance observations indicated 5 million acres was underlain by aquifers capable of yielding 0.5 to 2.0 cu secs to individual wells.<sup>2/</sup>
- Very little cropping, especially rice, is done in the dry season with irrigation which would permit much higher yields and double and triple cropping.
- For most crops, yields are only one third to one fourth of that possible on commercial farms under typical Burmese soil and climatic conditions.
- Only about 8 percent of the rice is in HYV.
- Chemical fertilizer use is only 2-5 nutrients per acre for gross cropped acreage.<sup>3/</sup>

<sup>1/</sup> Ibid, Ps 33-4.

<sup>2/</sup> Ibid, P 69.

<sup>3/</sup> Report to the Pyithu Hluttaw for 1977 - P 36.

- Yields per unit of cattle and buffalo are small in terms of meat and milk, even after allowance for draft use. Slaughter rates at 0.3 for pigs,<sup>1/</sup> and .25-.30 for fowl are very low.<sup>1/</sup>
- Timber production appears to be only a fraction of the potential from the 80 million acres reported in reserve and other timber forest. In addition to about one million cu. tons of teak and hardwood, only about 15 million tons of all other products mostly fire wood are harvested.<sup>2/</sup> This average of about 0.2 tons per acre is but a small fraction of potential forest yield.
- Between 1961-62 and 1975-76 fish production grew at a rate of about 2 percent per year, reaching a level of about 500,000 tons per year. About three fourths of the total fishery products are of marine origin, but most of this came from on-shore and in-shore catch. Only about one fourth of the total marine catch came from off-shore fisheries, though the fishing area is very large (82,000 sq. mi. shelf) and reportedly rich in fish.<sup>3/</sup> Production is currently less than one ton per sq. mile.
- The fairly large and high rainfall area along the coast which appears to offer great scope for high yielding crops such as oil palms, is virtually unexploited.

<sup>1/</sup> Ibid, Ps 58-9.

<sup>2/</sup> Ibid, Ps 71, 73, 74

<sup>3/</sup> Notes on Fisheries in Burma, Ministry of Agriculture and Fisheries, Ps 1-6.

## G. The Social Sector

### 1. Health and Nutrition

The Constitution of 1974 of the Socialist Republic of the Union of Burma (Article 149) stipulates that all citizens have the right to state medical treatment.<sup>1/</sup> The military government has provided more than legal recognition of the importance of health. Since the 1962 coup, it has expanded its program in the health field. The number of rural health centers has risen from 555 in 1961/2 to 1047 in 1975/76,<sup>2/</sup> and provisional figures for 1977/78 show 1,107.<sup>3/</sup> Hospital beds have increased from 11,035 in 1961/2 to 21,355 in 1975/6.<sup>4/</sup>

Yet, these statistics are misleading. While there has been a steady increase in Union Government current expenditures in health from 66 million kyat in 1965 to 201 million kyat in 1977, in constant kyat these figures were 99.1 (1965) and 109.3 (1977),<sup>5/</sup> an increase which can only be considered marginal.

The increase in facilities has not kept pace with population increases. Hospitals per 10,000 population were 0.14 in 1973 and only 0.16 in 1977/78, while hospital beds and rural health centers per 10,000 population remained constant at 7.07 and 0.34 respectively.<sup>6/</sup>

The relatively constant expenditures in the health sector reflect the rather low priority attached to the social services in GUB planning. It ranks 9th in a list of eleven priorities.<sup>7/</sup> (The list itself may be somewhat deceptive as defense is nowhere included in these priorities which were developed for the Second Four-year Plan.) The priority allotted by the GUB to health in its internal budgetary processes does not necessarily reflect the priority attached to the field when the GUB is approaching external

1/ "Every citizen in sickness shall have the right to medical treatment as arranged by the State." Albert Moscotti: Burma's Constitution and Elections of 1974, Institute of Southeast Asia Studies, Singapore 1977.

2/ Report To the Pyithu Hluttaw on the Financial Economic and Social Conditions of the SRUB for 1977/78, Ministry of Planning and Finance (noted as Hluttaw 1977/78).

3/ Hluttaw 1978/79 - First Draft 1978.

4/ Hluttaw, 1978/79 - First Draft 1978.

5/ IBRD, Burma: Country Economic Memorandum, October 1977.

6/ Hluttaw 1978/79

7/ Country Health Programme Burma-Country Profile, Ministry of Health, November 1975.

donors. The GUB is interested in donor support to a variety of health-related programs. The needs of Burma in the health sector remain acute, more acute than official statistics or statements allow.

The rhetoric and plans of the GUB in health are a model of development objectives. They are:

- "(a) To raise the health standards of the working people and to provide efficient treatment for all disease within the country.
- (b) To give priority to preventive measures.
- (c) To narrow the gap between rural and urban areas in the availability of health services.
- (d) To achieve progressive improvement in health facilities with more cooperation from the public.
- (e) To bring about extensions and improvements of social welfare services, including that of health, which are commensurate with the economic progress of the country."8/

Within these broad objectives, the Department of Health has six priority service programs. In priority order the service programs are: 1) basic health services and primary health care; 2) environmental sanitation (potable water and sewage disposal); 3) immunization (smallpox, DPT, tetanus, etc); 4) family health care (mothers, children under five, nutritional efforts); 5) vector borne disease programs (malaria, dengue, encephalitis, etc.); and 6) curative care.

The support programs are: 1) health manpower training; 2) supplies and equipment; 3) health information; 4) laboratory work; 5) drug production (at the Burma Pharmaceutical Industry, under the Ministry of Industries--thus not counted in the Ministry of Health's list); and 6) health practice research.9/

8/ An Analysis of Country Health Programming Experience in Burma, 1977, Ministry of Health.

9/ Team interview with Director-General of the Department of Health.

The GUB lists fifty diseases as of priority concern. In terms of weighted prevalence,<sup>10/</sup> they are as follows: 1) malaria (88,482 in-patients in 1973/74); 2) protein-energy malnutrition (6,500 in-patients); 3) pulmonary tuberculosis (26,082 in-patients); 4) anemia (60% prevalence in pregnancies); 5) tetanus; 6) pre-natal morbidity and mortality; 7) hypo-vitaminosis; 8) leprosy (357,000 cases estimated); 9) cholera; and 10) accidents.

Data in Burma is collected from the lowest level, the village, through the Village Council which is representative of the only legal political party, the Burma Socialist Programme Party. Data filters up to the central government where aggregate data are tabulated and national statistics are prepared. Data is collected at the township level both from its hospital and from the out-lying rural health clinics in the villages (but only about 2% of the villages have such clinics) which report to it up to the Divisional level in Burma Proper or in the constituent states (there being seven divisions in Burma Proper and an equal number of states). The data collected at the townships in Burma Proper are clearly sketchy. Outlying villages without rural health centers may not report diseases or vital statistics, nor may information be available on those who resort to the private practitioner (traditional midwife), the informal market for drugs, or the traditional healer or monk. One township doctor stated that in his township 80% of all diseases were reported,<sup>11/</sup> but the Team is of the opinion that this may be an overestimation both for that township (close to Mandalay) and definitely for Burma Proper. In many of the states where GUB control rests with a few cities or towns, there is virtually no reporting, or only from one or two GUB controlled towns. This covers a large geographic area which, however, is more sparsely settled than most of Burma Proper. Data "is yet very

<sup>10/</sup> See Ref. 7 for methodology and complete list. It might be noted that the incidence of leprosy in Burma (in trial areas) was 31.6 per thousand, compared to 25.8 in the Camerouns, 12.4 in Thailand, and 6.7 in the Philippines. See "Some Epidemiological Data on Leprosy Collected in a Mass Survey in Burma." Bechelli et. al., Bulletin of WHO, 1973, 48, 335-344. The Defense Intelligence Survey of the Medical Intelligence and Information Agency notes the leprosy rate for Burma as 8.6%. A 2% would normally be considered high.

<sup>11/</sup> Team Interview.

limited and covers only 275 towns with about 6.5 million people. The annual coverage of vital statistics also varies from year to year due to lack of complete response."<sup>12/</sup>

Some health figures are more limited in its collection venue, thus further eroding confidence in the data base. Yet in many instances the limited data is reported by international donors and agencies in a type of shorthand which eliminates the qualifications of the original, thus perpetuating erroneous misleading figures on which both Burmese planning and donor support is based.<sup>13/</sup>

Of importance are the data on infant mortality. Infant mortality per 1,000 live births has declined, according to official figures, from 252.8 in 1951, to 129.9 in 1961 to a low of 53.8 in 1975 and a provisional figure for 1976 of 47.6.<sup>14/</sup> Yet these statistics were collected on a basis of about 70 townships. The most commonly quoted figure in current use is 55/56 per thousand. Yet, as the GUB acknowledges, "It is unlikely that such a dramatic decline will have arisen within this period of time, and reasons for this should be investigated."<sup>15/</sup> The figures for Rangoon, which should have both the best reporting and the best facilities, average around 66 for the past decade, and should be more accurate. Ministry of Health officials estimate perhaps a national infant mortality rate of 70-75, while one knowledgeable foreign observer estimated it as high as 140. Whatever the rate, the magnitude of the problem cannot be overstressed, and the paucity of public facilities should not be underestimated.

<sup>12/</sup> Statistical Yearbook 1975, Central Statistical Organization. Infant mortality figures in 1972 were based on only 126 towns, however. (Ministry of Health Country Programme) Household expenditures are based on ten major towns.

<sup>13/</sup> For example, The Statistical Yearbook noted that Burma had 5,244 doctors in 1975, while the Analysis of Country Health Programming in Burma, another GUB publication, lists 3,307 for the same year. The Report to the Pyithu Hluttaw has 5,243 for 1977, while about 500 doctors are graduated per year. The same publication for 1978/79 lists 5,787 doctors, of whom 3,176 are in government service and 2,611 in private practice. This latest publication, still in draft, lists a total of 4,063 nurses and 6,426 midwives for the same year.

<sup>14/</sup> Report to the Pyithu Hluttaw, 1977/78.

<sup>15/</sup> Burma Country Health Programme, 1975.

There is perhaps one exception to this situation, but this was an exception to which the Team did not have access on this visit. This is a military hospital system which, by all secondary accounts, is well equipped, extensive, and reasonably well staffed. It is, in essence, an upper or privileged class facility not available to the general public, although the military itself is broadly representative of various Burmese social classes.

The Second Four-year Plan produced 1949 doctors, 129 dental surgeons, 744 nurses, and 1,106 midwives, but it fell far short of its goals. 163 rural health centers were to be built, but only 94 were constructed; 60 maternal and child health centers were to be erected, but only 29 materialized. Severe deficiencies were also experienced in the training of staff.

Nutritional status, for a country which has traditionally been a food surplus area, is not as good as might have been expected. The most common nutritional problems are: "1) Protein Caloric Malnutrition (PCM) of early childhood; 2) nutritional anemias; 3) goitre; 4) specific vitamin deficiencies such as Aribi Flammosis, Infantile beri beri, and vitamin A deficiency, etc."<sup>16/</sup> The report continues; "in fact, the general belief among pediatricians that about 50% of the pre-school children in Burma suffer from various forms of PCM is borne out by several nutritional surveys conducted in different parts of the country."

Anemia is located throughout the population as follows: adult males, 30-39%; adult non-pregnant females, 20-48%; pregnant females, 42-71%; school children, 6-14%; pre-school children, 20-37%.

One survey, in an admittedly small area, found that children from one to three years had the following percentages of nutritional requirements: 63.5% calories; 91.0% protein; 38.0% calcium; 48.0% iron; 60.0% vitamin B; 28.6% vitamin B<sub>2</sub>; 40.5% niacin; 16.0% vitamin C. Lactating mothers received 65.1% of calories; 88.0% protein; 20.8% calcium; 21.6% iron, while vitamin A and C levels were good.<sup>17/</sup> Nutritional standards are strongly affected by the widespread prevalence of hookworm which infects between 50-70% of the population.<sup>18/</sup>

<sup>16/</sup> These and the following figures are from Burma Country Health Programme -- Country Profile, Ministry of Health, 1975.

<sup>17/</sup> Hluttaw, 1978-79.

<sup>18/</sup> Defense Intelligence Survey.

Environmental sanitation is a major priority and a major problem of Burma. In 1976 it was estimated that only 30% of the urban population and 14.3% of the rural population had access to potable water. Typhoid and cholera are prevalent and widespread.

Burma has three medical institutes (two in Rangoon, one in Mandalay) which produce about 500 MDs per year, of whom perhaps 35 go into military service. The traditional reputation of Burmese medical education has been high, and it is a prestige field. Yet the reorganization of the regional college system (see below) may well lower the standard of education for doctors, as may the introduction of required political courses (70 hours per year) and traditional medicine courses. The Burmese Government may not feel this is a problem, as they plan to staff the rural health centers with doctors who may need less skills in their public health role. Nurses are in shorter supply than doctors. This may be because, traditionally, Buddhist women in Burma did not wish to become nurses which left the profession in low prestige except among Christian Karen, Kachin or Chin girls. Significant longer and shorter term training exists for a variety of paramedical personnel, including midwives.

The cost of the delivery of health services is of major interest. While statistics are lacking on overall costs of the general health program per patient for each disease, special diseases have eradication and control programmes with statistics on a per patient treated cost. The range in 1975-76 went from a high of K 225 per patient for tuberculosis to K 11.99 for leprosy, K 10.86 for VD, K 1.45 for trachoma, and K 0.95 for malaria.

Malaria deserves special treatment, not only because of the extent of interest in it Asia-wide, but because the GUB itself set targets for its control. K 4,995,000 was expended for Malaria Control and 5,254,000 patients 'treated' in 1975/76 (as in the reference, but this must mean population covered). In 1977/78 the malaria program covered 6,500,000 persons at an expenditure of K 5,319,000 with 350,000 patients treated. This figure must be treated with great caution as the same figure has been used annually since 1973/74. These figures presumably do not cover the cost of in-patient treatment of 88,481 individuals in 1973/74 previously noted. Malaria, as stated previously, is listed as the top priority health problem. Yet the Analysis of Country Health Programming Experience in Burma mentions that there are only 170 full-time

spraymen and 982 part-time (three-month) spraymen. It is estimated by 1982 there will be a need for 1,024 full-time spraymen.

The health sector is one which demonstrates the traditionally high status of Burmese women. About 50% of all doctors graduating from the three institutes producing MDs are women. Women also staff the township hospitals and rural health centers in a variety of positions. There is an effort, according to the Department of Health, to have MDs staff the rural health centers, an unusual approach for most countries. This may be due to a potential surplus of doctors for the public hospitals. While this may be a future problem, the present difficulty is clearly a lack of sufficient GUB allocation of local currency for the Ministry of Health to absorb those graduates of the medical facilities. Some now have to wait a year or two before being offered a government appointment.

The Department of Health has indicated that its most immediate need is for the import of drugs and the expansion of their local production. Now the Ministry gets \$7 million in foreign exchange which is to cover the import of all imported drugs, equipment, instruments, etc. There is much talk of an extensive smuggling trade in drugs, and a considerable black market in those products. UNICEF has indicated that because their pharmaceuticals are distributed in rural areas, they are rarely diverted to the black market, as they would be if distribution took place in urban settings.

The donor community has been extensively concerned with the health field, with, as might be expected, the leadership being taken by WHO and UNICEF. Other donor activities include UNDP, Australia (rural water supply in conjunction with UNICEF), Germany (rodent control, water supply), Canada (children's hospital), Japan (bio-research centers), and the U.K. (dental, paramedical, science institute training).

The goals of the GUB in health and the social sector have been constrained by financial problems. "As the progress in social service sectors has been constrained by the economic difficulties, measures have been taken to augment the public resources with contributions from the private sector, as well as increasing foreign assistance."<sup>19/</sup> Yet targets have been set for this period,<sup>20/</sup> including an 8% reduction in

<sup>19/</sup> Five Year Development Programme, 1977/78 to 1981/82, Ministry of Planning and Finance, August 1976.

<sup>20/</sup> WHO Proposed Program Budget 1978/79.

the crude mortality rate and a 26% reduction in infant mortality. The GUB hopes to provide primary health care to 26,000 villages (out of a total of 58,212 villages) in this period, so that population coverage would include 45% of rural areas and 43% of urban areas. Government targets also include a reduction in maternal mortality from 1.7 to 1 per 1,000 live births, still-born rate from 16 to 14.4 per 1,000 live births, hypovitaminosis from 30% to 27%, early childhood protein-energy nutrition from 50% to 45%, iron deficiency anemia from 60% to 54%, and goitre incidence from 40% to 26%. They also plan for a 31% reduction of the annual malaria parasite incidence.

These targets, given the paucity of reliable data, the widespread areas completely uncovered by health services, the low foreign exchange and local currency financing for the health services, seem unrealistic at the present stage of Burmese development and the potential internal and external support over the planning period.

## 2. Population

Burma is pursuing a pro-natalist population policy. While documentation on this policy has not been made available to the Team, probably due to the shortness of the visit, conversations with a number of GUB officials indicate that this policy is actively followed. No doubt this policy stems from a fear of overpopulated nations on its borders (China and Bangladesh), a concern to keep the Burman population clearly in the majority in relation to the numerous minority groups within the country, and labor shortages which the GUB feels are often acute in most areas outside the major urban centers.

The last Burmese census of April, 1973, indicated a total population of 28,084,513.<sup>21/</sup> Official documents note that the whole country was covered "except a few pockets of areas inaccessible to enumerators. However, the population of those inaccessible areas was estimated to be about 2.9% of the total population of the country and this was reflected in the overall Union total."<sup>22/</sup> Given the widespread nature of the insurgency and limited GUB access to much of the hinterland, the Team feels that it is legitimate to question this figure. It is likely that, because of access and political reasons, minority groups have a greater degree of underestimation than Burmans.

21/ See State Airgram A-47, June 1977.

22/ Statistical Yearbook 1975, Central Statistical Organization

The census of 1973 indicates that 67.9% of the population are Burmans, with the remaining population divided between such major groups as the Shans (8.9%); the Karens (6.6%); and the Arakanese (4.4%); and a wide variety of other Tibeto-Burman and Mon-Khmer groups.<sup>23/</sup> Whether the recent displacement of up to 200,000 Arakanese to Bangladesh would change this percentage is unclear, for it is unknown whether these people were ever included in the census figures.

The estimated population of Burma in 1977 is 31,572,000, and in March 1978, is 32,210,000.<sup>24/</sup> Burmese estimate that the population has been growing at about a constant rate of 2.2% per year from 1961 through 1977.<sup>25/</sup> 40.5% of the population is estimated to be under 15 years of age. The labor force is estimated at 12.38 million, of whom 1.26 million or 10.18% are in the State sector and 89.87% in the cooperative and private sector. This latter figure includes 65.35% in agriculture.<sup>26/</sup>

The Ministry of Health has noted that there has been a virtually equal increase of 21-22% in population from 1964 to 1973 in each state and division.<sup>27/</sup> Since urban population growth is estimated at 4.6% in 1975,<sup>28/</sup> the even growth patterns seem questionable, given urban immigration.

Population density in Burma averages 110.57 per square mile, with the Rangoon Division the most heavily populated area (811.5 per square mile) and the Kayah State the least populated area (27.94 per square mile).<sup>29/</sup> The average number of persons per square mile of arable land has risen from 52.8 in 1960 to 74.3 in 1976.<sup>30/</sup>

The official figures on population increases have resulted in one of the few cases of stated disagreement between the IBRD analysts and those of the GUB. Official GUB

<sup>23/</sup> State Airgram A-47, June 1977.

<sup>24/</sup> Hluttaw, 1978-79.

<sup>25/</sup> Report to the Pyithu Hluttaw on the Financial, Economic and Social Conditions of the SRUB for 1977-78, Ministry of Planning and Finance, 1977.

<sup>26/</sup> op. cit. The labor force increased to 12.64 million at the end of March 1978.

<sup>27/</sup> Country Health Programme: Burma Country Profile, Ministry of Health, November-December 1975.

<sup>28/</sup> PPC/IBRD data bank figures.

<sup>29/</sup> Country Health Programme.

<sup>30/</sup> PPC/IBRD data bank figures.

statistics predict a total population of Burma of 37.6 million in 1985 and 46.1 million in 1994, with the 2.2% population increase rising to 2.4% by that period. However, the IBRD has indicated that, with constant fertility, the rate of natural increase of the Burmese population would reach 2.7% by 1994 with a total population of 57.4 million. They also postulate that a moderate decline in fertility would result in a population of 55.1 million (2.4% increase) by the same period.<sup>31/</sup> Both of these IBRD projections, however, seem to accept the current figure of 2.2% increase. This estimate may well be open to question. Clearly an infant mortality figure of 56 per 1000, given the age structure of the Burmese population, would almost guarantee an increase in population of substantially over 2.2%. In fact, there are some statistics which indicate that the growth rate in Burma may presently be 2.6% and one Asian Development Bank project lists it at 2.8%. The Team has requested clarification of the latter figure and its source. It is likely that fertility rates are under-reported. The Ministry of Health notes that birth rates which are under 40 per 1000 (as reported except for 1960 and 1965 when they were slightly over that figure)

"is not a common feature for a developing country like Burma. This can be attributed to under-registration which is again more pronounced in the rural sector. In fact, rural birth rate should be higher than that of urban because of higher marriage rate, lower age of marriage, absence of the use of birth control measures, more cohesive family life and narrower range of social activities and luxuries outside the family in rural areas."<sup>32/</sup>

The IBRD notes:

"A scaling down of present fertility rates is also warranted. A fall in fertility will not by itself improve employment prospects for a considerable time. But lower fertility leading to reductions in the dependency burden on the working population should facilitate the growth of savings, investment and income, thus making the tasks of alleviating unemployment and underemployment and of meeting the basic needs of the population more manageable."<sup>33/</sup>

<sup>31/</sup> IBRD; Burma: Country Economic Memorandum, October 1977.

<sup>32/</sup> Country Health Programme.

<sup>33/</sup> IBRD; Burma: Country Economic Memorandum, October 1977.

Contraceptive supplies are not formally imported into Burma but they seem to be available on the black market. Abortion is legally difficult to obtain, requiring the approval of a committee composed of a gynecologist, GP, psychiatric social worker, and the local administration (party official), as well as the husband.<sup>34/</sup> However, official reports indicate that in 1974 abortions in hospitals totaled 41,145, or 41.8% of all hospital deliveries. It is evident that Burmese regulations are being circumvented in spite of the official government policy.

### 3. Education

As early as 1963, following closely upon the Ne Win coup which brought the military to power in 1962, "The Burmese Way to Socialism," the policy declaration of Revolutionary Council, expressed the view of the new government toward education:

"The Revolutionary Council believes that the existing educational system unequated with livelihood will have to be transformed. An educational system equated with livelihood and based on socialistic moral values will be brought about. Science will be given precedence in education.

"Our Education target is to bring basic education within the reach of all. As regards higher education, only those who have promise and enough potentialities and industriousness to benefit from it will be especially encouraged."<sup>35/</sup>

The Burmese Constitution of 1974 in Article 152 prescribed:

"(a) every citizen to have the right to education;  
(b) Burmese is the common language. Languages of the other national representative may also be taught;  
(c) every citizen should be given basic education which the State prescribes by law as compulsory."<sup>36/</sup>

Burma has been regarded as a highly literate country, especially for males, in the traditional period. The Burmese monastery, the phounggyi kyaung, at the village level inculcated an ability to read the Buddhist scriptures with an

<sup>34/</sup> Professor Peter Kunstadter; East-West Center, personal communication.

<sup>35/</sup> In The System of Correlation of Man and His Environment, The Philosophy of the Burma Socialist Programme Party, Rangoon 1963.

<sup>36/</sup> Moscotti, op. cit.

emphasis on rote instruction. This method, while seriously deficient for the modern era, allowed Burma to escape the dire illiteracy prevalent in so many other developing countries. With the colonial period, modern education was introduced in two streams: the English and Burmese. A university system was inaugurated both by the missionaries (Judson College) and later the University of Rangoon. With independence, a vast effort was made by the Burmese Government to improve the educational system and expand it. On the eve of the Ne Win coup of 1962, there were two universities and a variety of colleges in provincial towns affiliated to those universities. Education at the post-secondary level was, however, concentrated in Burma Proper.

Following the inauguration of the new government in 1962, there has been a marked increase in access to education which during the period of independence has been one of the prime avenues to social mobility in Burmese society (the others being the military, the monkhood, and the labor unions). In 1965, primary school enrollment totaled 1,847,000 and an estimated 58% of students of primary school age children were in school. In 1977 enrollment was 3,687,000 and an estimated 87% of school age children were enrolled.<sup>37/</sup>

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Student-teacher ratios remained relatively constant, being 44:1 in 1965 and 46:1 in 1977. Secondary school enrollment for the same period increased from 314,000 to 1,038,000 with an estimated 6% of secondary school students enrolled in 1965 and 15% in 1977. Both technical schools and colleges increased vastly during this period as well. In 1964, in accordance with the Burma Socialist Programme Party doctrine, additional vocational and technical institutes were founded so that the enrollment in technical schools went from 5,605 in 1965 to 14,261 in 1977. Universities and colleges increased as well with 18,910 students enrolled in 1965 and 77,679 in 1977. The IBRD has noted that the flow of sources into education declined from 1973 to 1976 with subsequent cuts in service, but they seem to have risen in 1977 once again. However, the real GUB investment in education has dropped from 1965. In current prices the GUB investment in education in 1965 was 221.2 and in 1977 it was 212.5. In current prices expenditures rose from K. 183 million in 1965 to K. 449 million in 1977.

Literacy, which in 1974 was said to be 67% with rates about 13% higher for males than females, has received

37/ IBRD Report.

a great deal of attention because of major Burmese campaigns in 1970 and 1971 to send college students to the towns and countryside to teach villagers at all ages to read and write. The program has been touted as a great success. K. 1.1 million was expended on this effort during the Second Four-year Plan.<sup>38/</sup> Even if successful, however, there has been little mention of programs to provide materials for new literates without which the new skills may well be lost.

Literacy figures are incomplete. For example, data on the Shan State are extrapolated from two townships; for the Pegu Division, from one township; and for Sagaing Division, from three townships.<sup>39/</sup> In 1965/66 all private schools were taken by the GUB as part of its socialist program, and while reporting on the number of schools and the number of teachers is available for the period 1972 through 1975, the data when examined by division or state seems highly questionable. There are important deviations in each administrative unit from year to year for the number of schools and the number of teachers. The reason for this reporting pattern is unclear, for the areas covered not only include those which might be subject to insurgent action and, therefore, lack of GUB access, but also include Burma Proper and even the Rangoon Division.

During the Second Four-year Plan, an extensive effort was made to expand various types of educational instruction, but only selected targets were achieved. The following data is taken from Hluttaw Report 1978/79. The methodology for these calculations is unknown to the Team at this time. Agricultural and vocational targets were not met. Various types of teacher targets met only about 50% of the quota, while some fell as low as 15%. Student targets reached 88.4% of their goals in primary school, 53.3% in middle schools, and 66.7% in high schools. Technical education, while expanding, did not reach its goals but colleges and university students attained 165.2% of their targets and teachers for those schools 122.3%. Burma, during the Second Four-year Plan, was graduating 5,320 bachelor degree students in arts and sciences, many of whom could not find appropriate employment.

Statistics on costs to complete education at various levels to the government (excluding student/family costs) in 1977/78 are as follows: primary school K. 239;

<sup>38/</sup> Hluttaw Report, 1978-79.

<sup>39/</sup> Statistical Yearbook, 1975.

high school K. 1,624; arts and science graduate K. 5,720; economics graduate K. 6,513; doctor K. 17,354; agricultural graduate K. 31,422; dentist K. 49,288.

In 1964 there was a major reorganization of higher education in Burma and the two existing university systems of Rangoon and Mandalay were reorganized into ten higher educational institutions--two universities and eight university-level institutions. These were: Rangoon Arts and Science University with the affiliated Workers College (Rangoon); Moulmein College, Bassein College; and Mandalay Arts and Science University with its affiliated Magwe College, Taunggyi College (Shan State), and Myitkyina College (Kachin State). In addition there are the Institutes of Medicine I and II, both in Rangoon; the Institute of Medicine, Mandalay; the Rangoon Institute of Technology; the Institute of Medicine, Mandalay; the Rangoon Institute of Technology; the Institute of Economics, Rangoon; the Institute of Education, Rangoon; the Institute of Agriculture, Mandalay; and the Institute of Animal Husbandry and Veterinary Medicine, Insein.<sup>40/</sup>

In May 1977, the GUB launched another of its major education reforms and founded 16 regional colleges. These colleges (now 18) are in American parlance, community colleges. The concept behind this change was to eliminate the first two years of undergraduate education and locate such education in the home divisions or states of the students. The colleges are located at: Rangoon (2), Mandalay, Moulmein, Monywa, Shwebo, Tavoy, Pegu, Shwedaung, Pakokku, Yenangyaung, Meiktila, Akyab, Bassein, Taunggyi, Myitkyina, and Lashio. At the end of the two years, after an examination, some students would go on to the university or institute structure for formal BA training, while others would be given a third year of education of a technical and vocational nature depending upon the needs in industry in their areas.

The motivation behind this plan was both political and economic. The GUB had been upset with the continuing and violent student demonstrations against aspects of government policy and economic performance, and they

<sup>40/</sup> This data and subsequent data is taken from the report of Shiro Amioka, Hawaii University, in his "Report on the Administrative Problems and Related Issues Concerning the Regional College System of the Socialist Republic of the Union of Burma." Ministry of Education, Rangoon, April 1978.

perhaps thought that by the dispersal of student activism away from Rangoon, where it could be tolerated, it would ease political problems. University level students had been increasing at an alarming rate. In 1975, 30,000 passed the matriculation examination and in 1976, 20,000 passed. The GUB had budgeted for only 8,000 students and the universities were already operating on a two-shift basis.<sup>41/</sup> Also, it was clear that the unemployment in Burma was growing, especially in Rangoon where it reached 13%, and the government had not the financing to employ graduates. This regional plan was conceived of furthering economic development on a regional basis, which is government policy, as well as provide mid-level skills for planned economic and industrial growth. It perhaps was also felt that students living with relatives at home or near their home would be more subject to parental guidance and be less activist.

However, it could also be cogently argued that activist students placed closer to the peasantry could be a greater long-range threat than in an urban environment. The regional college approach which includes five colleges in the states (2 in the Shan State, 1 in the Kachin State, 1 in the Arakan State, and 1 in the Mon State) could also be an element which would enable minority students to keep closer to their base of ethnic nationalism and those might be a greater potential threat to the dissolution of the Union than if they had been dispersed in a metropolis, such as Rangoon or Mandalay.

When the regional colleges were established, the initial enrollment in aggregate was 11,155. The Minister of Education has the responsibility for administering the regional college system which was formulated at the highest policy level of the GUB. A Central Supervisory Committee was established, chaired by the Minister, consisting of various educational officials. The primary function of this Committee was to set guidelines for the colleges in accordance with national policy. The day-to-day administration of the system was the responsibility of a Central Implementation Committee. The rapid implementation of the college system, in accordance with government policy, has forced a system to be established which has yet to work out detailed administrative and management regulations for what is clearly a complex set of institutions. Approximately 20 technical skills have been chosen based, upon local feasibility study teams, which worked with the divisional planning office in

<sup>41/</sup> Team interview with the Ministry of Education.

choosing the needed skills. Not all colleges will teach all skills, nor is it yet decided as to what types of equipment are needed for vocational training in the second and third years (e.g., imported and relatively sophisticated equipment or locally produced equipment which may, for example, be fabricated by the Central Research Organization and its facilities which are being supported by the Indian Government). Teachers will come from the universities for the first year, for which a revised curriculum will be developed. For the second year, technical students will be introduced, and those who pass will go on to universities, and those who do not will take a third year of vocational training. This raises the spectre of technical education as a second class educational alternative.

Since independence, vocational education, as in so many other countries, has been looked upon with disfavor by those who desire an education. They have viewed it as a secondary avenue to provide access to the traditional university. Thus, the very purpose for which vocational educational institutes were established, establishing the dignity and primacy of technical skills, had been vitiated. Will this occur once again? Is there a hiatus between the needs of vocationally-oriented systems and a system designed to prepare students for the last two years of formal undergraduate education? There is some concern that students entering the medical profession and entering specialized fields, e.g. economics, accounting, etc., will be less well prepared than in the past to receive an appropriate level of education. In the past, U.S. universities have regarded a B.A. from Rangoon University with great favor in comparison to similar degrees from Indian institutions. This standard may well drop.

The cost of the regional colleges to the students average perhaps K. 60 per month for tuition and books, and an additional K. 200 per month is required for board and lodging. Unless students can live at home, in monasteries, or with relatives, which is more likely in the regional college system than at a university at Rangoon or Mandalay, the regional colleges may still cater to a relatively small percentage of the population who are financially better off. Clearly, however, the regional colleges cost to the student is less than are those at the university level.

Another area of education is open to those who are poorer. This is the correspondence course education,

inaugurated in 1976/77, which is available to those who already are working and who take by correspondence a series of courses leading to appropriate degrees. Correspondence course enrollees are required to spend one month a year in residence at some educational institution to do required laboratory work, take examinations, etc.

Educational authorities feel confident that there will be greater interest in the regional colleges for their vocational skills. A skilled worker can presently earn K. 30 per day while a BA graduate without special skills is employed at the minimum wage of K. 5.80 per day, if he/she can find work.

Regional colleges are setting up a management information system which will evaluate progress including student placement, budget, curriculum, equipment, etc. Foreign support for the regional colleges technical training is being supplied by UNIDO and includes shop, foundry, welding equipment, etc. The Minister of Education, as well as the Minister of Planning and Finance, have both indicated that the regional colleges are a priority program of the GUB, and the Minister of Education has noted that equipment, short-term training, and technical assistance would be desirable from the United States.

#### H. Donor Experience and Program Opportunities

During the course of this exploratory visit, the Team met with representatives of the following multi-lateral and bi-lateral donor institutions: the IMF, World Bank, Asian Development Bank, International Rice Research Institute, UNDP, UNICEF, FAO, WHO, the British Overseas Development Ministry, Canadian Aid Program, Federal Republic of Germany, French, and the Japanese as well as the Australians.

All of these donor groups have indicated that over the past several years their experience in Burma, while fraught with difficulties, has been definitely positive with one exception. The Canadians have had a frustrating period in their attempt to support GUB activities. This may be the result of their first attempting to launch their program out of a regional office in Kuala Lumpur and later from Bangkok. There is no Canadian Embassy in Rangoon.

Performance on the part of the Burmese, in spite of delays which have taken place on implementation, has been no worse than in other countries. The German and Japanese Ambassador and Charge, respectively, have indicated that their support has been seemingly free of any personal corruption.

The Burmese Government has agreed, and this was reiterated by the Minister of Planning and Finance, that co-financing of projects with a multi-lateral organization was one appropriate means by which AID could program in Burma. The multi-lateral organizations themselves, including both the UN and the Banks, have indicated a willingness to participate in appropriate endeavors of mutual interest.

The Team began its discussions with the Burmese with the idea that the Team was there to listen to Burma's explanation of their priorities on programs, not to discuss what AID might do. The Team explained to the Burmese on numerous occasions the provisions of the Foreign Assistance Act, and the emphasis under the Congressional Mandate on basic human needs. It specifically avoided meeting with such ministries as Industry, Mining, etc., which could prompt requests which would be inappropriate for AID consideration. As discussions progressed, both with the Minister of Planning and Finance and with other ministries, it became apparent that the Burmese were more comfortable

in discussing specific project ideas. They opened up in such discussions and were prepared to make data available relating to those projects.

The following is a list of program or project ideas which were discussed in general ways with Burmese officials and others. None of these ideas are at the stage where any project documentation should be written. Rather, these are ideas which require further exploration in depth with appropriate specialists in relevant fields.

It should be noted that while the Team went to Burma with the impression that foreign exchange would be a major concern of the Burmese Government, discussions indicated that there was also a widespread interest in the provision of local currency which also is in short supply for a variety of projects.

This list is not intended to be in any order of priority. Clearly a longer stay would have generated far more ideas, and what follows is illustrative only.

#### 1. Ministry of Health

The Minister of Planning and Finance has indicated that the health sector would be an important area for possible programming. Among the most important areas which might be considered are:

##### a. Malaria

Malaria is now a priority health problem in Burma, and assistance in this field might be an important areas of interest to both GUB and AID. It could be a rapidly dispersing program. The visit of a joint WHO/AID team to Burma on malaria this summer could improve conceptualization of this need.

##### b. Imported Pharmaceuticals

The GUB's foreign exchange allocated to the health ministry for all purchases totals \$7 million which is very small indeed. Life-saving drugs distributed through rural health centers could be a useful addition to the Burmese health program.

c. Rural Health Centers Staffing

The GUB does not have at present enough local currency to employ the medical and para-medical personnel its training. The staffing of rural health centers for an interim period with local currency costs could be a useful measure.

d. Improvement of the Capacity of the Burma Pharmaceutical Industry

The Burma Pharmaceutical Industry, under the Ministry of Industry, is the sole manufacturer of drugs in Burma. Their equipment is said to be out of date and it could be expanded to include other drugs necessary for support to the rural health center program. Care should be given to the investigation of appropriate distribution systems as well as the possible problem of diversion of drugs into the urban market (according to UNICEF, this is less a problem in rural areas).

e. Fixed Amount Reimbursement for Construction of Rural Health Centers

While the GUB has expanded its rural health centers, it cannot under the present rate of expenditure reach its targets in making health facilities available to the rural population. A Fixed Amount Reimbursement (FAR) program of reimbursement to the Burmese for construction of rural health centers could be a useful additive to Burmese medical targets.

f. Family Planning

Since the GUB is supporting a pro-natalist policy, no foreign assistance to family planning will be requested in the foreseeable future. Any insistence by foreign donors that this be part of a health/nutrition package would probably meet with strong GUB disapproval.

2. Ministry of Education

a. Institute of Economics

The Institute of Economics, the organization in Burma concerned with training economists, statisticians, and accountants to the professional level, has expressed interest in AID support to the Institute. While some members are frustrated over its lack of policy role in the GUB, it

has provided useful and relevant research and it is the main training mechanism for providing competent staff for Burma's economic development. Thought should be given as to how such an organization might be assisted if the Ministry itself were interested in such a plan.

b. Regional Colleges

The Minister of Education has specifically expressed interest, as had the Deputy Minister of Planning and Finance, in AID support to the regional colleges. Such support, according to the Minister, could be in the form of equipment and technical assistance as well as local cost financing for aspects of regional college development. Since regional colleges are designed in part to provide mid-level technical skills, such a program would fall within AID's sphere of interest. This possibility, however, needs to be explored with competent specialists in this area. The University of Hawaii has already provided useful assistance to the regional college program, and this might be AID's point of departure should this field warrant AID attention.

3. Ministry of Cooperatives

The Minister of Cooperatives expressed broad interest in support from AID, as cooperatives are "the second pillar of economy." Industrial (producer) cooperatives as well as agriculture cooperatives are both areas which need assistance. The Minister is interested in support for a training school which would provide instruction in management for cooperative leaders and members.

4. General Participant Training

There is strong interest in a variety of ministries for participant training programs in fields of interest to AID. Emphasis in the discussions was on the need for shorter term training rather than longer-term degree instruction. Thought could be given to development of a short-term participant training program including or even emphasizing third countries in the field of basic human needs which would be supportive of other programs of interest to AID and which might open possibilities for future programs in the variety of ministries.

#### 5. Central Research Organization

The Central Research Organization, which combines the functions of a Battelle-type institution and a national bureau of standards, is concerned about the need for modern equipment to do specific task-oriented research related to pilot small scale industrial projects in the rural areas in productive fields. The CRO, at least, does not feel that local currency is a problem. The CRO staffing, with approximately 70 full-time scientists, is probably spotty in performance, but a professional assessment of needs could lead to small scale useful projects.

#### 6. Hospital Construction

An American exchange professor has expressed a need for a new 1,000-bed hospital in Rangoon to maintain the high standards of Burmese medical education. While, admittedly, hospitals are overcrowded, poorly equipped, and badly managed, this suggestion is quite low on the Burmese Ministry of Health's list of priorities. His suggestion should be rejected. At no time did the Burmese raise this as a possible program.

#### 7. Ministry of Construction

The Minister of Construction, and especially the Construction Corporation, has as its responsibility the building of roads, bridges, housing, schools, hospitals, etc. It suffers from obsolete equipment. Of approximately 5,000 pieces of equipment, over 4,000 are ten years old or older. Downtime on such equipment is more than operating time. Thought could be given to development of a divisional (a division approximates a province in other countries) program for the maintenance and management of construction equipment along the lines of the provincial development assistance program (PDAP) in the Philippines. In addition to the development of techniques for anticipating spare parts requirements and improving management of construction equipment, fixed amount reimbursement could be provided for the construction of farm-to-market roads, health centers, and schools. The corporation indicates that it has the capacity to do some socio-economic studies which would be required under such a project.

8. UNPDAC

The UNPDAC liaison officer has requested excess local currency currently available in Burma for the development of training and counselling programs for drug users as well as for the construction of rehabilitation centers and subsidy to farmers while waiting for substitute crops.

9. UNICEF Co-Financing

UNICEF has a series of "noted" projects, which are essentially shelf items, which UNICEF would manage for AID if funds were available. These might include malaria prophylaxatives, drug production, and village water supply.

10. Extension of Mingaladon Airport Runway

The Minister of Planning and Finance has indicated interest in the use of AID-owned local currency to support of a 2,000 foot extension to the 8,100 foot runway at Mingaladon airport in Rangoon. The program involves the filling of a 60 foot ravine at the end of the runway and would, according to Burmese estimates which might be too high, run \$90 million, exclusive of a new terminal building. The Team pointed out that such an extension should be considered as part of an overall tourist policy, for economically it could not otherwise be justified. This request was reiterated to the Team at the close of its visit and the Team promised to report it to Washington. Since local currency available to the U.S. in Burma would amount to only a small portion of the cost of such construction and since the proposal falls outside of the Congressional Mandate, the Team does not feel that this is an appropriate program.

11. Ministry of Agriculture and Forestry

The People's Pearl and Fisheries Corporation is interested in support to a program for the development of artisanal fishermen essentially for marine fisheries. Support for equipment, technical assistance, and study in the U.S. would be desired. Since the Managing Director of this corporation is one of the most effective administrators met on this trip, and the ADB is especially pleased working with him, thought might be given to development of an appropriate project dealing with poorer fishermen who are in the lower economic class in Burma.

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Appendix A

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TO AMEMBASSY RANGOON

- (2) THE POTENTIAL DEVELOPMENT IMPACT;
- (3) THE COMPARATIVE TECHNICAL ADVANTAGE OF THE U.S.; AND
- (4) ANY POLITICAL, ECONOMIC, SOCIAL OR OTHER FACTORS WHICH

COULD ENHANCE OR INHIBIT THE EFFECTIVENESS OF U.S. ASSISTANCE.

IN ITS DISCUSSION OF SPECIFIC AREAS OF INVOLVEMENT, THE TEAM SHOULD CONSIDER THE FULL ARRAY OF DEVELOPMENTAL INSTRUMENTALITIES AVAILABLE TO THE U.S., INCLUDING THE A.I.D. FUNCTIONAL ACCOUNTS AND PL 480 TITLES I AND II.

C. HAVING SELECTED THE MOST APPROPRIATE STRATEGY, AID LEVEL, PROGRAM SECTORS AND INSTRUMENTALITIES, THE TEAM SHOULD:

- (1) IDENTIFY THE MINIMUM ESSENTIAL RESPONSIBILITIES WHICH WOULD BE IMPOSED ON A.I.D. RELATED TO PROGRAM/PROJECT MANAGEMENT AND ACCOUNTABILITY.

- (2) DISCUSS THE FEASIBILITY OF ESTABLISHING THE NECESSARY WORKING RELATIONSHIP WITH THE GUB TO PERMIT A.I.D. TO CARRY OUT SUCH RESPONSIBILITIES. IN ITS DISCUSSION OF THIS ISSUE, THE TEAM SHOULD SPECIFICALLY COMMENT ON THE EXPERIENCE OF OTHER DONORS IN IMPLEMENTING DEVELOPMENT PROGRAMS IN BURMA EXPLAINING ANY DIFFERENCES IN RESPECTIVE MANAGERIAL RESPONSIBILITIES.

- (3) DISCUSS HOW SUCH RESPONSIBILITIES COULD BE CARRIED OUT WITH MINIMUM IN-COUNTRY PRESENCE OF U.S. DIRECT-HIRE STAFF. FOR EXAMPLE, ARE THERE POSSIBILITIES FOR JOINT-FINANCING WITH OTHER DONORS AND, IF SO, TO WHAT EXTENT WOULD THIS MINIMIZE THE NEED FOR A RESIDENT STAFF?

- (4) SPECIFICALLY IDENTIFY THE RESIDENT WORK FORCE REQUIREMENTS--BY NUMBER AND TYPE--REQUIRED UNDER VARIOUS PROGRAM OPTIONS.

- (5) DISCUSS SENSITIVITIES OF SUCH ASSIGNMENT AND SKILLS OF SUCH WORK FORCE IN RELATION TO THE BURMESE SOCIAL AND POLITICAL MILIEU.

- (6) IDENTIFY THE SUPPLEMENTARY SUPPORT WHICH WOULD NEED TO BE PROVIDED BY TDY ASSISTANCE, AND THE MODALITIES AND COSTS OF PROVIDING SUCH ASSISTANCE.

D. THE REPORT SHOULD BE COMPLETED AND SUBMITTED TO THE AA/ASIA THREE WEEKS AFTER THE CONCLUSION OF THE TRIP.

4. DECONTROL 4/5/79. VANCE

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TAGS:

SUBJECT: AID BURMA TEAM

REF: STATE 070233

1. FOLLOWING IS SCOPE OF WORK FOR BURMA TEAM:

2. OBJECTIVE:

TO DETERMINE THE NEED FOR AND THE FEASIBILITY OF AN EFFECTIVE U.S. BILATERAL DEVELOPMENT ASSISTANCE PROGRAM FOR BURMA.

3. SPECIFIC TASKS:

A. THE TEAM SHOULD ANALYZE:

- (1) BURMA'S DEVELOPMENT SITUATION AT THE MACRO AND SECTORAL LEVELS;
- (2) ACTUAL GUB PERFORMANCE IN CARRYING OUT ITS DEVELOPMENT PROGRAM; AND,
- (3) HOW THE GUB DEVELOPMENT PLANS ADDRESS ITS DEVELOPMENT GOALS.

THE ANALYSIS SHOULD SPECIFICALLY FOCUS ON BURMESE MACRO-POLICIES, SECTOR PROGRAMS AND ACTUAL GOVERNMENT PERFORMANCE AS THEY RELATE TO A.I.D.'S POLICY OBJECTIVES OF ASSISTING COUNTRIES WHICH ARE COMMITTED TO GROWTH WITH EQUITY THROUGH:

- INCREASING AGRICULTURAL PRODUCTIVITY THROUGH SMALL FARM AND LABOR INTENSIVE AGRICULTURE;
- REDUCING INFANT MORTALITY;
- INCREASING THE EQUALITY OF INCOME DISTRIBUTION;
- REDUCING UNEMPLOYMENT AND UNDEREMPLOYMENT; AND
- INCREASING THE PARTICIPATION OF THE POOR IN THE DEVELOPMENT PROCESS, INCLUDING ACCESS TO SOCIAL SERVICES.

B. IF IN THE TEAM'S OPINION, THE ABOVE ANALYSIS JUSTIFIES THE REACTIVATION OF U.S. BILATERAL DEVELOPMENT ASSISTANCE PROGRAM, THE TEAM SHOULD DISCUSS POSSIBLE ALTERNATIVE U.S. PROGRAM STRATEGIES, AID LEVELS AND AREAS FOR U.S. INVOLVEMENT, INCLUDING:

- (1) THE DESIRE OF THE GUB FOR U.S. PARTICIPATION;

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Mr. Jerry Medina, Water and Sanitation

Private Sector

Mr. Robert Olson, Vice President, Manufacturers  
Hanover Trust  
Ms. Maureen Aung Thwin, Asia Society, New York  
Mr. Robert Bordonaro, Asia Society, New York  
Dr. Colin Marland, Visiting Professor, Rangoon  
Dr. Roop, Visiting Professor, Rangoon

Louis Berger International:

Mr. Gerald Altman, Representative in Burma  
Mr. William Thomas, 3rd Senior Management Consultant

Academic Community

Mr. F. K. Lehman, University of Northern Illinois  
Mr. Josef Silverstein, Rutgers University  
Mr. Harvey Demaine, Dept. of Geography, SOAS,  
University of London, School of Public Health  
Ms. Helen Wallace, WHO/University of California, Berkeley  
Mr. Laurence Zane, University of Hawaii  
Mr. John Rantala, University of Hawaii  
Mr. Walter Vella, University of Hawaii  
Mr. Albert Moscotti, University of Hawaii

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

## RECORD OF CONVERSATION

TELEPHONE CONVERSATION       CONFERENCE       INTERVIEW

DATE OF CONVERSATION: May 26, 1978

Rangoon, Burma

SUBJECT: Exit Interview with the Minister of Planning, U Tun Tin;  
the Deputy Minister, Dr. Maung Shein; and staff.

PARTICIPANTS: American Ambassador and V. Dickey, U.S. Embassy  
The AID Team: Steinberg, Boucher, Newberg

COPIES TO:

This meeting was set up at the request of the AID team at the opening session of their visit to Burma with the same staff--except that the Ambassador was present. It was felt that notice of an exit interview, properly conveyed to other ministerial staff, might facilitate the cooperation of those other ministries.

Mr. Steinberg, speaking for the team, noted, in a summing up to the Minister, that the team was pleased with the reception accorded to it, and that everyone had been most cooperative. He mentioned that the team had been given a great deal of information and data which was most helpful for analyzing the situation. He went on to say that the team has been impressed with the determination of the GUB to proceed with development, and that there was a significant area of convergence between the priorities of the GUB and AID which could lead to a mutually beneficial economic relationship.

Mr. Steinberg noted that the team was in Burma to make recommendations to AID but could not make commitments. In the team's report, he said, the team would be looking at the Burma-U.S. relationship to expand over time. The team was not thinking in terms of a single year's effort, but in multiple years with the relationship growing. He went on that the team felt optimistic about the future development of Burma. (At no point were any sums of money mentioned.) Mr. Steinberg then asked for the Minister's views.

The Minister said that he "was grateful to all of you.... I am glad to welcome you here in this country and in our offices.... I want to promote our further relationships.... I like you to understand us and our economy, sociology and politics as well...being with all of you here, and (your) seeing responsible

DRAFTING OFFICER: ASIA/PT:David I. Steinberg:wdDATE OF PREPARATION: June 2, 1978

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SECURITY CLASSIFICATION

persons and getting facts and figures, it is the very beginning for our two countries to understand each other better and clear up any doubts. When we can understand far better with our conscience or mind, things can be improved and we can work together in the future in a much more improved manner. I can appreciate and understand what you said right now."

The Minister went on: "The other day, before the Cabinet meeting, I met with the Minister of Education and discussed with him our conversation about mutually beneficial economic cooperation. I told Dr. Maung Shein (Deputy Minister), we have areas in the economy and in social areas, health and education, and if we can start in those areas and promote our understanding and relationships, it is my view that those cases are much easier for you and for us. I was told by Dr. Maung Shein about the agreement (U.S.-Burma Bilateral Agreement of 1957). I have read it and the Attorney General's department, now called the Central Law Office, has commented. Also the People's Attorney and the Foreign Office. Their remarks are quite good. It still holds good and is almost still valid--technically still valid. I must seek time to report this to the Prime Minister and the Cabinet. I am sure that the custom of the Cabinet is to usually take what we say, and the Cabinet agrees." He went on that it was better to renew it (than to negotiate a new one).

The Minister continued about other donors, mentioning the West Germans and the Japanese mutually beneficial economic relationships. He said in fact that these were joint ventures, but the terminology was different. It was profit sharing and product sharing and included such fields as agriculture, forestry, fishing, off-shore oil exploration, mining. He said: "We need more industry but we cannot get away from agriculture. Agriculture is uncertain (because of the weather), while industry is certain. We want industrial promotion with agriculture."

He continued: "We want to clear up confusions and doubts. We wanted to improve our economy. We know ourselves--where we are and what we are doing--our right doings and our wrong doings. Any region or any nation's political social and economic (life) is changing always in this generation and decade. It is my philosophical concept that changes have a tendency to improve human society. We can be patient for any length of time--so long as rice is here and rice will be here forever. Countries which use force and coercion grow in a decade. Our elders (superiors in Government) will not use it, and it will take longer. We don't want to force them to work; we don't want this generation to suffer for future generations. We will go between two extremes."

After one hour the Minister left and the discussion continued with the Deputy Minister and with additional staff present from the ministry with the Director of the Union Bank (Central Bank), Dr. Aye Hlaing.

Dr. Maung Shein said: "We really appreciate that a mission was sent. It indicates active interest shown in our country's case. The members chosen know our country for years and years. We are really grateful for your mission and I hope for closer economic cooperation between our two countries."

He went on about the economic cooperation agreement. It was a general agreement to be supplemented by specific project agreements. In general it seems ok, but some provisions were out of date. For example, the IMF have picked up some new functions regarding exchange rates, and trade was covered by GATT. The publicity clause was one which came in for discussion with a general agreement (subject to formal legal interpretation). The Deputy Minister indicated that he had discussed the agreement informally with the GUB lawyers, but they would have to get their formal views and it would go to the Cabinet. It was obvious that the Burmese had done a great deal of work on that document in a short period of time, and this was interpreted by the team as clear evidence of their interest in our relationship.

The Deputy Minister continued that, as the Minister had previously discussed in our first visit, co-financing with the international donors as agreeable to the GUB; it was the "first way to start. Otherwise it will take time." While agriculture has top priority, the social sector "definitely has priority as well." He mentioned specifically the regional colleges, saying "the fact that it is not mentioned on the list (of priorities of the GUB) does not mean that it is not a priority." He said that there were bottlenecks in health, such as life-saving drugs. He suggested small grants to start but when pressed as to whether this was a policy, indicated that a mixture of small and large grants would be appropriate.

He next discussed the PL 480 Kyats. The GUB feels that the accounts need "reconciliation." They would like to use them for the extension of the Mingaladon Airport runway (\$90,000,000). When asked about the terminal problem and an overall tourist policy, Dr. Maung Shein said that they wanted to proceed step by step--do the runway first. The GUB will in any case proceed with the airport on their own. I promised to convey this message to Washington.

The Deputy Minister then discussed mutually beneficial economic cooperation which had been endorsed by top party congress and the parliament. These were really joint ventures by another name. The significance of an umbrella agreement covering private or foreign investment was limited--there was a need for case-by-case procedures. The question was asked why the investment law of 1959 was repealed. He said that "it was still-born--it had never been used." The existence, therefore, of the 1959 law or lack thereof was not significant.

Summary: In the opinion of the team, the Burmese were as forthcoming as they could possibly be, and every effort at this meeting was made to reassure the U.S. about the desirability of a relationship (the private sector discussion was just one element in that picture, since they had been briefed about our interest in this at previous lower level meetings).

They had clearly mobilized the staff to review the bilateral agreement and the Minister and Deputy Minister had been thoroughly briefed on our previous meetings. This meeting marked the close of an extremely useful and fruitful trip.

Clearance:A. Boucher (substance)  
R. Newberg (substance)

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Department of State

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TELEGRAM

PAGE 01  
ACTION AID-31

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Appendix D

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FOR STATE EA BUREAU AND AID ASIA BUREAU

E. O. 11652: N/A  
TAGS: EAID, 3M  
SUBJECT: AID SURVEY TEAM VISIT

REF: A. STATE 88021, B. STATE 90113

1. THE AID SURVEY TEAM, COMPOSED OF MESSRS. STEINBERG, BOUCHER, AND NEWBERG, ARRIVED IN BURMA ON MAY 17 AND DEPARTED MAY 27. INASMUCH AS THE TEAM WILL BE WRITING A REPORT UPON ITS RETURN TO WASHINGTON, I DO NOT PROPOSE TO CHRONICLE ITS ACTIVITIES IN THIS MESSAGE. HOWEVER, I WOULD LIKE TO SHARE A FEW OBSERVATIONS AND IMPRESSIONS CONCERNING THE VISIT WITH THE DEPARTMENT AND AID.
2. THE BURMESE WERE CLEARLY FORTHCOMING IN THEIR RELATIONSHIPS WITH THE TEAM. THAT THE GUB ATTACHED HIGH IMPORTANCE TO THE TEAM'S VISIT WAS EXEMPLIFIED BY THE HIGH LEVEL OF PARTICIPATION BY GUB OFFICIALS IN THE SUBSTANTIVE MEETINGS WHICH TOOK PLACE. THESE INCLUDED THE MINISTERS OF FINANCE AND PLANNING, EDUCATION, AND COOPERATIVES; AND THE DEPUTY MINISTERS OF FOREIGN AFFAIRS, AGRICULTURE, FINANCE AND PLANNING, AND CONSTRUCTION. OTHER MEETINGS INCLUDED A VARIETY OF DIRECTORS GENERAL AND PRINCIPAL OFFICERS OF ORGANIZATIONS, SUCH AS THE CENTRAL RESEARCH ORGANIZATION, THE ECONOMIC INSTITUTE AND THE UNION OF BURMA BANK (THE CENTRAL BANK).
3. EACH MEETING WAS ATTENDED BY SENIOR STAFF OF THE RELEVANT MINISTRY OR CORPORATION. THE TEAM WAS TOLD THAT THE SUBSTANCE OF ITS FIRST MEETINGS WAS COMMUNICATED TO THE HIGHEST LEVELS OF THE GUB. IN HIS FINAL MEETING WITH THE TEAM (MAY 26), THE MINISTER OF FINANCE AND PLANNING WAS MOST EFFUSIVE IN EXPRESSING HIS APPRECIATION FOR THE ACTIVE INTEREST OF THE TEAM IN THE ECONOMIC DEVELOPMENT ASPIRATIONS OF BURMA. THAT EVENING AT A DINNER HE HOSTED IN HONOR OF THE TEAM, THE MINISTER OF EDUCATION SIMILARLY EXPRESSED APPRECIATION FOR THE TEAM'S PRESENCE AND USG INTEREST.
4. THE MANNER AND LEVEL OF THE HANDLING OF THE TEAM'S VISIT IS A STRONG SIGNAL THAT THE GUB IS INTERESTED IN RESUMING AN ECONOMIC ASSISTANCE RELATIONSHIP WITH THE USG. THEY LOOK FORWARD, AS DOES THIS EMBASSY, TO THE NEXT STEPS IN MOVING THE RELATIONSHIP FORWARD. MY PARTICIPATION IN SOME OF THE EVENTS OF THE VISIT AND MY EXIT INTERVIEW WITH THE TEAM LEFT ME WITH THE IMPRESSION THAT THE TEAM IS OPTIMISTIC THAT THERE IS A BASIS FOR A CAUTIOUS AND MODEST INITIATIVE FOR THE RESUMPTION OF ASSISTANCE TO BURMA. I SHARE THAT VIEW.

BEAN

PROVISIONAL MACRO-ECONOMIC DATA  
for 1977/78 in  
CURRENT PRICES

(in \$millions)		
Total Value of Output	\$7,056	In percent
Less: Inter-Industry Purchases	-2,910	of GDP
Equals: GDP	<u>\$4,146</u>	100
Plus: Imports	416	<u>10</u>
Minus: Exports	- 247	6
Equals: Total Resources Available	<u>\$4,315</u>	<u>104</u>
Consumption	<u>\$3,732</u>	90
Investment	583	14

<u>On a Per Capital Basis</u>	<u>Actual</u>
GDP	\$129
Consumption	116
Investment	17
Output Per Worker	33

Source: Report to the People 1978/79, Table 5

1/ GUB data in local currency on converted to dollars at Kyat 7.33 = U.S. \$1.00.

Estimated Contribution to Value of Output  
for 1978/79  
as Among State Entreprises, Cooperatives and the Private Sector

Sector	Percentage			
		State	Co-operatives	Private Sector
1. <u>Goods</u>	5	21.3	2.0	76.7
Agriculture	0	0.3	0.8	98.9
Livestock and Fishery	3	1.4	1.5	97.1
Forestry	7	36.6	4.0	59.4
Mining	4	86.9	2.6	10.5
Processing and Manufacturing	3	55.3	5.3	39.4
Power		100.0		
Construction	8	66.9		33.1
2. <u>Services</u>	7	62.8	2.1	35.1
Transportation	6	37.4	6.0	56.6
Communications		100.0		
Financial Institutions		97.1	2.9	
Social and Administrative Services		100.0		
Rentals and Other Services	1	9.7	2.7	87.6
3. <u>Trade</u>	8	41.4	9.4	49.2
Total net output (1+2+3)	0	36.3	3.8 <sup>1/</sup>	59.9 <sup>1/</sup>

<sup>1/</sup> Sources: Report to the People  
1978/79, Table 167

Appendix G

Summary Balance of Payments Data  
(in \$ millions)

	1976/77 <sup>1/</sup>	1977/78 <sup>2/</sup>	1978/79 <sup>3/</sup>
<b>A. Merchandise Trade</b>			
Exports, mainly f.o.b.	195	224	337
Imports, mainly f.o.b.	<u>-243</u>	<u>-403</u>	<u>-505</u>
Trade Balance	- 48	-179	-168
<b>B. Services</b>			
Transp. & Insurance	( - 10)	( - 8)	( - 16)
Travel	( 3)	( 2)	( 2)
Investment Income	(- 11)	(- 14)	(- 23)
Government	(- 6)	(- 8)	(- 4)
Other Services	( 13)	( 10)	( 7)
<b>C. Transfer and Grant</b>			
	<u>28</u>	<u>20</u>	<u>20</u>
Private Transfer	( 3)	( 2)	( 2)
Government Transfer	( 25)	( 18)	( 18)
<b>D. Long-term Capital</b>			
Drawings	67	164	216
Japan	( <u>11</u> )	-	( <u>108</u> )
International Org.	( 39)	-	( 67)
Others	( 17)	-	( 42)
Repayments	- <u>40</u>	- <u>24</u>	- <u>28</u>
<b>E. Short-term Capital</b>			
	- 19	- 16	- 8
<b>F. Kyat gains on devaluation</b>			
	-	8	-
<b>G. Errors &amp; Omissions</b>			
	<u>9</u>	<u>7</u>	<u>-</u>
<b>H. Total (A through G)</b>			
	- 15	- 38	- 2
<b>I. Reserve &amp; related items</b>			
	<u>15</u>	<u>38</u>	<u>2</u>
Use of Fund Credit	(- 5)	( 47)	(- 22)
Foreign Exchange	( 20)	(- 9)	( 24)

Source: Union Bank of Burma, May 1978

<sup>1/</sup>Actuals converted from local currency at K. 6.74-\$1.00

<sup>2/</sup>Revised estimate converted at K. 7.33-\$1.00

<sup>3/</sup>.....



Appendix I

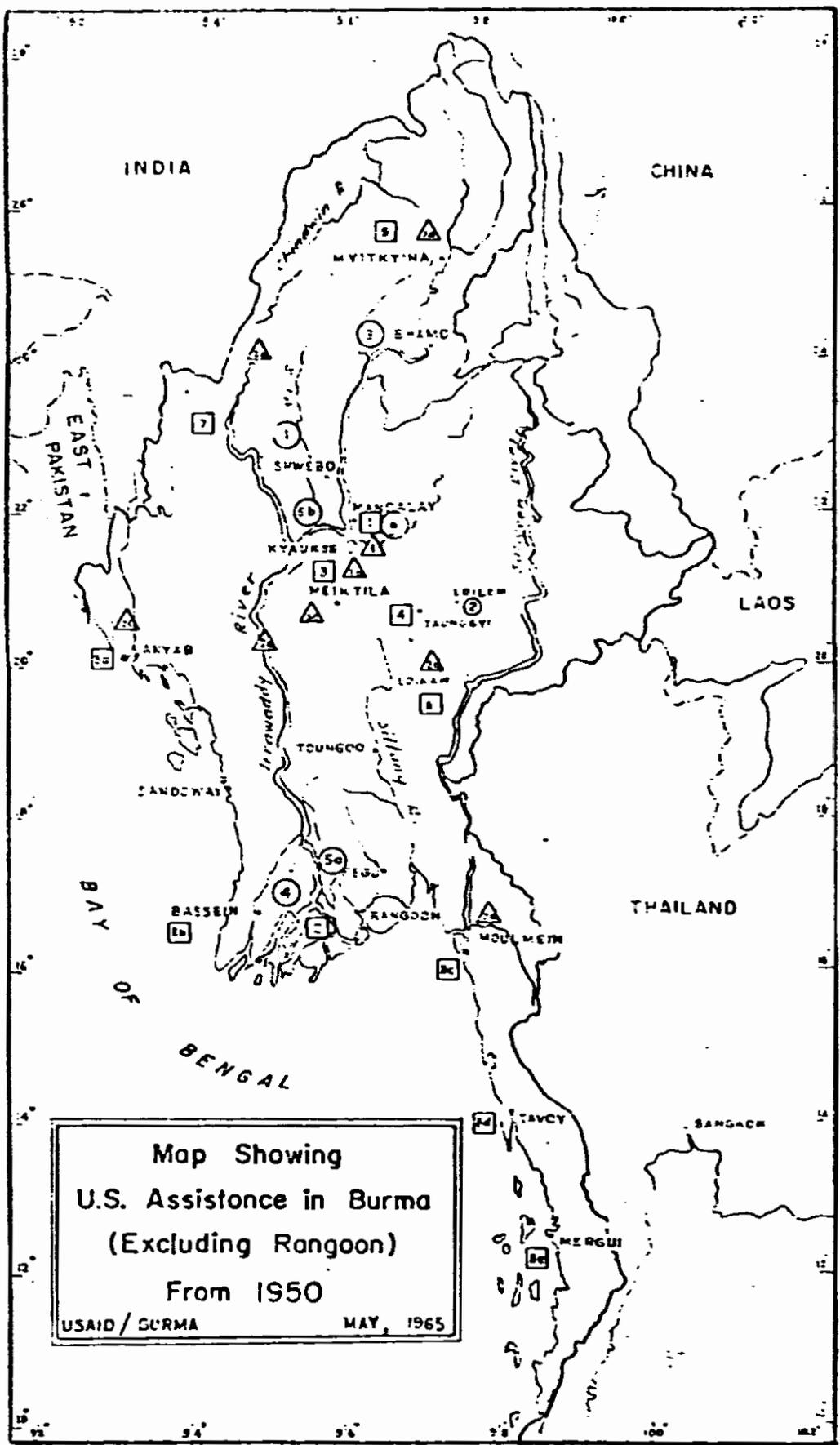
Estimates of Receipts and Repayment  
Against Foreign Loans and Grants  
for 1978/79<sup>1/</sup>  
(in \$ millions)

Particulars	Receipts	Repayment of Principal and Interest	Net Receipts
<u>Above 15 years</u>			
U. S. A.		2.9	-2.9
Canada	0.6		0.6
France	6.5	2.7	3.8
Federal Republic of Germany	9.8	1.9	7.9
Japan	71.9	9.9	62.0
U. S. S. R.		0.2	-0.2
Asian Development Bank	33.1	0.7	32.4
World Bank (I.D.A.)	33.6	0.7	32.9
O. P. E. C.		<u>0.1</u>	<u>-0.1</u>
<u>Sub-Total</u>	155.5	19.1	136.4
<u>Between 5 and 15 years</u>			
U. S. A.		2.9	-1.4
People's Republic of China	1.5	0.8	-0.8
France		0.5	-0.5
German Democratic Republic		3.9	-3.9
Federal Republic of Germany		-	35.9
India	35.9		-6.4
Japan		6.4	-3.9
Netherlands		3.9	-0.3
Britain		0.3	-0.8
U. S. S. R.		0.8	-0.8
Yugoslavia	<u>8.7</u>	<u>0.2</u>	<u>8.5</u>
<u>Sub-Total</u>	46.1	19.7	26.4
<u>Grand Total</u>	201.6	38.8	162.8

Source: Report to the People, 1978/79, Table 188

<sup>1/</sup> Converted from local currency at Kyat 7.33 = U.S. \$1.00

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A.I.D.  
Reference Center  
Room 1650

KEY TO MAP

showing

Economic Cooperation Administration (ECA)  
Mutual Security Administration (MSA)  
Technical Cooperation Administration (TCA)

Projects in Burma \*\*  
(excluding Rangoon)

1950-53

- 1 Mandalay University, \$137,109  
Science laboratories expansion, \$69,377  
Agricultural College, laboratory equipment and experimental farm  
equipment, \$67,732
- 2 Flood Control in Lower Burma, \$252,952  
Yandoon Island Sluice Gate saving 75,000 acres of riceland from  
annual floods
- 3 Irrigation in Upper Burma, \$132,531  
Taungpulu Dam near Meiktila
- 4 Soil Conservation and Agricultural Improvement in the Shan State,  
\$170,159
- 5 Agricultural Improvement in Kachin State, \$51,391
- 6 Agricultural Improvement in Kayah State, \$33,947
- 7 Kalewa Coal and Mineral Development, \$239,101
- 8a, 8b Outport Rehabilitation, \$1,445,790  
8c, 8d Mooring buoys, pontoons and dredgers for Akyab 8a, Bassein  
8b, Moulmein 8c, Tavoy 8d and Mergui 8e.

\*\* Grant Assistance. All figures current as of 4/30/1955.

USAID/Burma  
February 1966

KEY TO MAP

showing

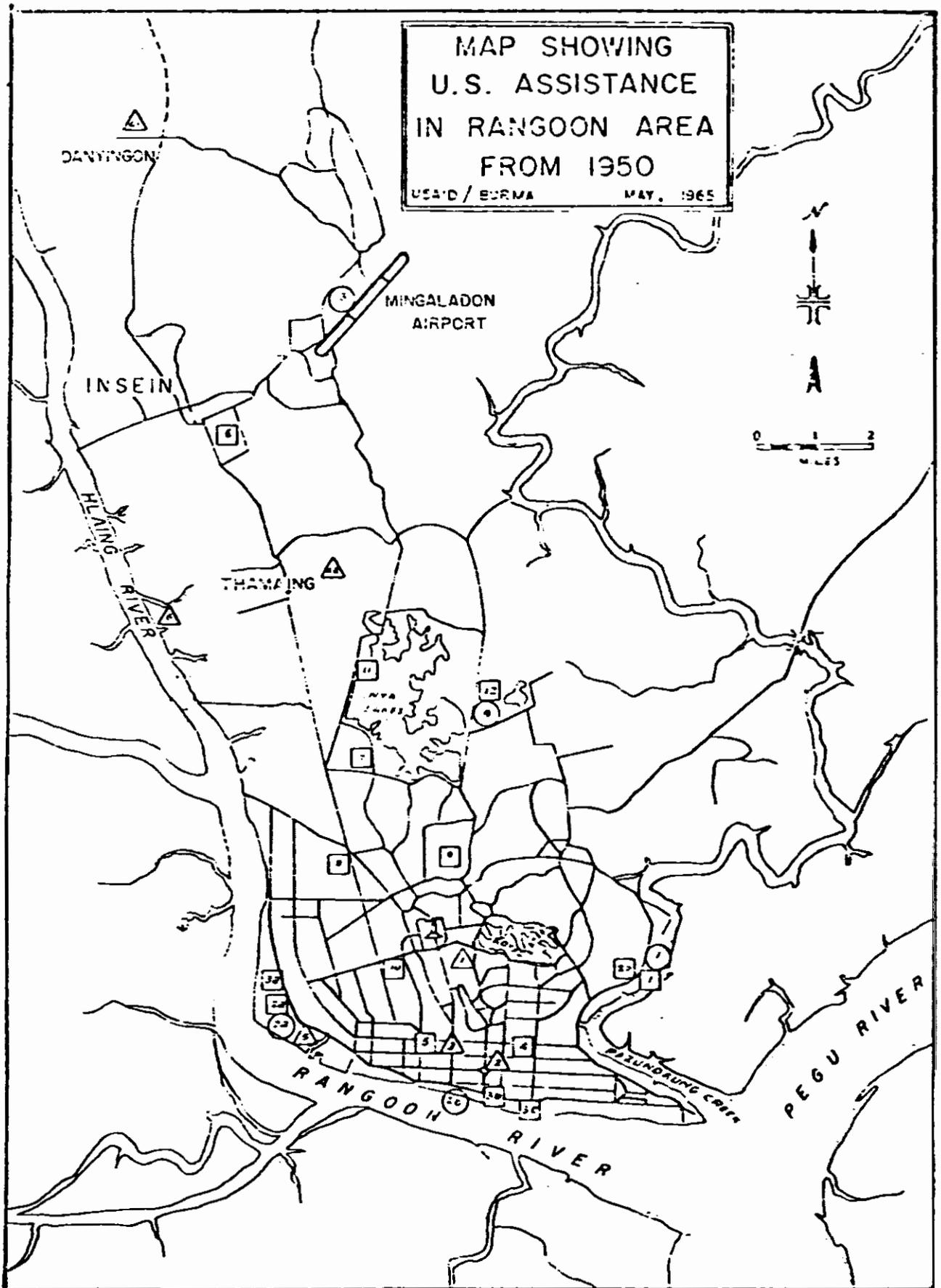
International Cooperation Administration (ICA)  
Agency for International Development (AID)  
Projects in Burma, excluding Rangoon  
from 1957

COMPLETED PROJECTS

- ① Reconstruction of Kabo Dam, \$1,586,521  
Irrigation for 300,000 acres near Shwebo in Upper Burma
- ② Namsang Area Development, \$750,000 (grant assistance)  
Village water supply system and farm machinery for 7,000 farmers  
at Namsang near Loilem in Southern Shan State
- ③ Timber Extraction, \$661,669  
Mechanical units for modernizing timber extraction in Upper Burma  
forests near Bhamo
- ④ Land Restoration  
\$5,353,200 and \$6,787,000 in PL 480 kyats  
Over 508,000 acres of riceland reclaimed in Lower Burma
- ⑤a Village Water Supply  
\$569,661 and \$1,791,000 in PL 480 kyats
- ⑤b Tube wells for Lower ⑤a and Upper Burma ⑤b villages
- ⑥ Telecommunications, \$151,016  
Rehabilitation of trunk line and installation of carrier equip-  
ment between Rangoon and Mandalay for telephone and telegraph  
communications

CONTINUING PROJECTS

- △1 Police Assistance, \$8,731,532  
Land and water transport and communications equipment for the  
People's Police Force; vehicles maintenance workshops and  
communications centres in Rangoon and Mandalay
- △2a Inland Waterways Fleet Improvement, \$4,565,383  
New passenger and freight vessels, and dockyard equipment for the  
Irrawaddy △2a, Chindwin △2b Rivers and Inland Waterways Trans-  
port services out of Akyab △2c and Moulmein △2d
- △3a Land and Water Resources Development, \$3,400,000  
Heavy earth moving equipment used in land clearing and construction  
of irrigation works at Washaung (Myitkyina) △3a, Kinda (Kyaukse) △3b  
Mondaing (Meiktila) △3c and Ngwedaung (Loikaw) △3d
- △3d



Economic Cooperation Administration (ECA)  
Mutual Security Administration (MSA)  
Technical Cooperation Administration (TCA)  
Projects in Rangoon Area \*\*

1950 - 53

- 1 Rice Milling and Processing, \$281,837  
American Rice Mill at Setsan, Pazundaung, daily capacity: 40 tons rice
- 2a Rice Storage, \$732,673  
Warehouses at Ahlone 2a, Pazundaung 2b, and in the Delta
- 2b
- 3a Rangoon Port Rehabilitation, \$2,625,155  
Transit sheds at Ahlone 3a, Sule 3b, and Brooking Street
- 3b wharves 3c; tank pontoons for sea-going and inland vessels;
- 3c steel bridges and workshop equipment.
- 4 Railways Rehabilitation, \$652,909  
Rolled steel wheels for goods cars; lighting equipment; locomotive parts; and 15 track miles of steel rails.
- 5 Rangoon General Hospital, \$100,472  
Laboratory equipment including large x-ray unit; hospital and medical supplies.
- 6 Livestock Disease Control, \$38,469  
For Veterinary College, Insein, laboratory equipment & deep freezers
- 7 University of Rangoon; \$705,667  
For Engineering College, Medical College, science, psychology and education departments books and laboratory equipment; out of kyat sales of essential goods such as antibiotics, cotton yarn and newsprint came funds for the science block extension, ten staff bungalows and a new water supply system.
- 8 Burma Translation Society, \$328,218  
For the Burma Translation Society now called Sarpay Beikman Institute a modern printing plant at 361 Proma Road.
- 9 Audio Visual Aids Development, \$769,791  
Central Films Studio and Laboratory, 35a Hermitage Road; Four documentary films by Louis de Rochemont Corporation
- 10 Low Cost Housing, \$160,326  
Five of the eighteen buildings of Pyidaungsu Flats at Halpin Road
- 11 Aerial Survey, \$872,543  
Aerial survey photographs, 1 inch: 2,000 feet, covering 40,000 square miles of Burma.
- 12 Industrial Research Institute, \$200,789  
Laboratory equipment for the State Industrial Research Institute absorbed in 1955 by the Union of Burma Applied Research Institute

International Cooperation Administration (ICA)  
Agency for International Development (AID)  
Projects in Rangoon Area  
from 1957

COMPLETED PROJECTS

- ① Rice Mill: Spare Parts, \$54,759  
for American rice mill at Setsan, Pazundaung - an ECA grant.
- ②a Rice Handling and Processing Mechanization, \$152,213  
Portable horizontal conveyors, portable cleaning-grading equipment,  
tractors and trailers, at Ahlone ②a and Sule ②b wharves.
- ②b
- ③ Civil Aviation: Airport Development, \$406,031  
Radio communications, fire-fighting and approach lighting equipment for  
Rangoon Mingaladon Airport and other airfields in the country.
- ④ Union of Burma Applied Research Institute  
\$872,786 and \$1,847,000 in PL 480 kyats  
Scientific and technical equipment, and technical services from Armour  
Research Foundation for the UBARI at the corner of Kaba Aye and Kanbe  
Roads.

CONTINUING PROJECTS

- ① Rangoon Water Supply  
\$1,035,000 and \$822,000 in PL 480 kyats  
Ten-million gallon reservoir in Shwedagon Pagoda Road and other works
- ② Rangoon Sewerage System  
\$515,000 and \$135,000 in PL 480 kyats  
Repair and cleaning of sewerage system
- ③ Rangoon General Hospital  
\$750,390 and \$801,000 in PL 480 kyats  
A building for the outpatients department and adjunct services on  
Godwin Road
- ④a Rangoon University Liberal Arts College  
\$2,250,000 and \$5,499,000 in PL 480 kyats (grant assistance)  
A new campus with dormitories for a liberal arts college at Thamaing  
④b, and a Tile Factory Glazing Kiln at Danyingon, Insein ④b to  
produce glazed building materials for the buildings.
- ④b
- ④a
- ⑤ Expansion of Teak Production, \$1,444,000  
Machinery for State Timber Board saw mills at Ahlone and elsewhere  
and timber logging equipment used in Pegu and Upper Chindwin forests.
- ⑥ Okkyin Teak Mill  
\$3,480,000 and \$2,047,059 in PL 480 kyats  
The last project under the 1957 \$25 million line of credit. This  
mill will process 150,000 tons of round logs into 94,000 tons of  
sawn teak annually.

UNITED STATES ECONOMIC COOPERATION PROGRAMS

AGENCY FOR INTERNATIONAL DEVELOPMENT

Economic Cooperation Between the United States and Burma

The people of the United States and of the Union of Burma share a long history of economic cooperation; the larger part has been between the governments of the two countries.

In these government-to-government relationships Burma has initiated requests, selected projects, and invested its own resources, while the United States has provided equipment, supplies, and technical services through grants, loans, and sales. The agency of the United States Government responsible for administering Economic Cooperation Programs is the Agency for International Development, a semi-autonomous unit within the Department of State.

While the objective of economic cooperation between the two governments is, of course, the promotion of Burma's economic progress, this progress naturally depends primarily on Burma's own efforts. The role of external assistance is strictly subsidiary, supplementing, as appropriate, the steps which Burma itself takes to promote its economic development.

In order to be of the greatest assistance and to avoid drawing upon Burma's foreign exchange reserves, dollar loans have been made repayable in kyats at Burma's option. Repayments extend over long periods of time and are at low interest rates. In addition, dollar grants have been made to finance projects and technical assistance.

The sales of United States agricultural commodities (PL 480) have likewise been for kyats, thus preserving Burma's foreign exchange position. Most of the kyat proceeds of these sales are intended for loans or grants to the Government of Burma for economic development projects.

The following paragraphs describe some of the highlights of these government-to-government economic relations.

THE PROGRAM FROM 1950 to 1953

Grant for Economic and Technical Assistance: \$19.7 million in Dollars

The first major step was the Economic Cooperation Agreement signed on September 13, 1950. Under this agreement the United States provided grant assistance amounting to \$19.7 million for a wide variety of projects and studies ranging from animal breeding to aerial survey and from rice milling to scientific research. The Burmese Government contributed out of its own funds K12.5 million (equivalent to \$2.7 million) to the program.

Of the United States contribution \$14.7 million was used as direct dollar support for projects and the balance of \$5 million was used to import commodities essential to Burma's economy. The kyat proceeds from the local sale of these commodities were then placed in a special account to be used as grant support for meeting local program funding requirements.

On June 30, 1953 the United States aid program was suspended at the request of the Burmese Government which then carried on many projects initiated or funded under the United States economic cooperation agreement with its own funds.

From 1950 to 1953 the program was administered successively by the Economic Cooperation Administration (ECA), the Mutual Security Administration (MSA) and the Technical Cooperation Administration (TCA).

Port of Rangoon

\$2,625,155

Through the port of Rangoon pass almost all of Burma's imports and most of her exports. The port facilities were bombed out almost completely during the war. Rehabilitation of the port was a top priority and the United States provided over two and a half million dollars for the port project, the largest single amount provided in the three years of assistance. Major works under the project included construction of transit sheds at Ahlone, Sule and Brooking Street wharves, provision of steel pontoons for sea-going and inland vessels, and supply of fixed moorings and workshop equipment. In 1956 the Port received a \$11 million loan from the International Bank for Reconstruction and Development (IBRD).

Economic Planning and General Engineering Services

\$1,950,000

With United States assistance an economic and technical survey of Burma's resources was made by three American firms experienced in the fields of engineering, economic planning and mining. Based on this survey a comprehensive program of economic and social development was drawn up by the consultants and adopted by the Burmese Government. The consultants were employed not only in an advisory capacity but also in implementation of the development program. The Burmese Government's economic planning and statistical data collection agencies received much valuable help from the consultants. After United States aid was suspended the Burmese Government retained the United States consultants with their own funds until February 1959 when the Caretaker Government terminated these services.

Outport Rehabilitation

\$1,445,790

For rice export and coastal trade the outports along the coastline of Burma are important. These secondary ports also suffered damage during the war and under its outport rehabilitation program the United States supplied nearly one and a half million dollars worth of port and navigation equipment such as mooring buoys, pontoons and dredgers for Akyab, on the Arakan coast; Bassein in the Delta; and Moulmein, Tavoy and Mergui on the Tenasserim Coast.

Public Health

\$1,076,022

United States cooperation in the field of public health was connected with environmental sanitation, malaria control, venereal diseases control, health education and public health training.

Independent Burma's first efforts to supply safe and abundant drinking water for the rural population was initiated with US assistance when

eight water jet units were provided for drilling tube wells. After United States aid was terminated the Burmese Government formed the Rural Water Supply and Sanitation Board to carry on the work on a larger scale. Upon resumption of United States aid the Burmese Government requested assistance again for this work and the United States Government loaned \$2.4 million (in dollars and kyats) for the Village Water Supply project.

As an official report says: As a result of the work of two TCA Health Education Advisors, the Government of the Union of Burma has recognised the need of full time Health Education activities connected with the various programmes of the Directorate of Health Services and has accordingly sanctioned a new Health Education Bureau replacing the former Hygiene Publicity Bureau.

Health teams were set up with United States assistance at Aung San Myo (12 miles north of Rangoon), Akyab, Bassein and Taunggyi. The United States provided the services of public health experts and medical specialists and also helped train Burmese doctors and medical technical personnel in the United States.

Rice Milling and Processing

\$281,837

As a leading exporter of rice Burma earns about 70 percent of her foreign exchange from this food grain. At the end of the Second World War most of Burma's rice mills needed rehabilitation and under its technical assistance program the United States made available the services of a rice milling engineer to survey the milling situation.

On his recommendation a model American rice mill capable of a daily output of 10 tons of cleaned rice was constructed in Rangoon. Based on the experience with this pilot plant the Burmese Government undertook a program of new rice mill construction and rehabilitation of privately-owned mills. Improved milled rice fetched higher prices in the international rice market and thus increased Burma's foreign exchange earnings from rice exports.

Rice Storage

\$732,673

To meet the need for adequate storage facilities for rice 19 quonset huts and 47 warehouses were built in Rangoon, Kanaungto (across the river from Rangoon) and Hyaunggya. Besides the dollar costs the United States made a gift of 4,250 tons of cement for the construction.

Flood Control in Lower Burma

\$252,952

Land in the Irrawaddy Delta is fertile and suitable for rice cultivation. Unfortunately, it is subject to annual flooding. One such area is near the important delta town of Maubin. The building of the Yandoon Island sluice gate with United States cooperation helped prevent annual floods in this area with the result that about 75,000 acres of riceland are now protected.

Irrigation in Upper Burma

\$132,531

While Lower Burma is liable to flooding, Upper Burma is subject to drought. The first dam for irrigation purposes after the war was constructed at Taungpulu, 13 miles from Meiktila in Upper Burma with United States

assistance. Since then the Burmese Government has constructed other dams for irrigation.

Soil Conservation and Agricultural Improvement in the Shan State

\$170,159

Shifting cultivation has caused soil erosion in the hilly Shan State. Under the guidance of an American expert an extensive soil conservation program was initiated near Taunggyi, the capital of the Shan State. United States assistance was given also in the use of fertilizers and in animal husbandry.

Agricultural Improvement in Kachin and Kayah States

Kachin State \$51,391

Kayah State \$33,947

In the Kachin State bordering Tibet and China and in the Kayah State (known as Karenni before Independence) bordering Thailand, United States agricultural advisers introduced new ways of raising crops and livestock, and improved methods of storage and marketing.

Livestock Disease Control

\$38,469

The Veterinary College at Insein, 10 miles north of Rangoon, not only teaches but also conducts research and produces vaccine for livestock. The war and the insurgency after Independence destroyed most of the facilities in the Veterinary College. An official report states that as a result of United States assistance which provided books, laboratory equipment and 35 deep freezes, the Veterinary College, closed in 1949, was able to reopen in 1952.

Kalewa Coal and Mineral Development

\$239,101

With United States assistance Burma's only known coal deposit at Kalewa in the Chindwin Valley was first surveyed and explored. The Kalewa Mine has also received technical help from the Federal Republic of Germany. Reserves are estimated at 68 million tons.

Railways Rehabilitation

\$652,909

World War II wrought such destruction on the Burma Railways that an evaluation report at the end of the war stated that Burma Railways had ceased to exist as a transportation system. For its railways rehabilitation project the United States brought in 1,178 rolled steel wheels for goods cars, lighting equipment and locomotive parts from the United Kingdom and 15 miles of steel rails from Japan. In 1956 the Burma Railways received a \$5.3 million loan from the International Bank for Reconstruction and Development (IBRD).

Rangoon General Hospital

\$100,472

During the wartime Japanese Occupation the Rangoon General Hospital, the largest in the country, lost much of its equipment. With United States assistance laboratory equipment including a large X-ray unit

and hospital supplies were installed in the Rangoon General Hospital. When United States aid was resumed in 1957 a new project for adding an outpatients clinic and laboratory services building was signed. These buildings are now nearing completion.

University of Rangoon

\$705,667

Like other public institutions the University of Rangoon lost much during the Japanese Occupation. To make good the loss, books and laboratory equipment were provided with United States assistance for the Engineering College, Medical College, and the University's science, psychology and education departments. Out of kyat sales of such essentials as antibiotics, cotton yarn and newsprint, imported under United States aid, came funds for the science block extension, ten staff bungalows and a new water supply system for the University.

University of Mandalay

\$137,109

In 1947 University College and Agricultural College at Mandalay were reopened. The war had depleted them of books and scientific apparatus and the Agricultural College of farm equipment. The United States made good these deficiencies and accelerated the rehabilitation of these institutions which in 1958 became incorporated in the University of Mandalay.

Burma Translation Society

\$238,218

Founded after Independence the Burma Translation Society undertook to publish educational books at low cost. To help print the newly translated as well as original works the United States provided a complete printing plant set up with the assistance of an American printing specialist. Four printers were trained in the United States to operate the plant. Since 1964 the Burma Translation Society, which is now government-controlled, has been known as Sarpay Beikman Institute.

Audio-Visual Aids Development

\$769,791

A newly independent nation relies heavily on strong communications media to foster a sense of national purpose and identity. To help meet this need the United States supplied funds for building and equipping a modern airconditioned motion picture studio and processing laboratories in Rangoon. Under the Revolutionary Government this studio is producing regularly news reels and documentary films. It also makes films for independent producers and has been instrumental in upgrading the technical quality of the Burmese film.

Low-Cost Housing

\$160,326

The postwar migration into town from the country doubled the population of Rangoon from 400,000 to nearly one million. This new population together with the wartime destruction of a large part of the residential quarters of the city created an acute housing shortage. Five architects under an Economic Cooperation Administration contract contributed their services to the design and building of Pyidaungsu Flats at Halpin Road in

Rangoon. Five of the eighteen buildings were constructed with United States funds. American architects were also associated with the planning of the new housing development at Yankin, six miles north of Rangoon.

Industrial Research Institute

200,789

To promote applied research in science and engineering and provide technical services to both private and government enterprises the Burmese Government founded the Industrial Research Institute in 1947. This institute received valuable equipment and apparatus under an ECA grant. In 1954 the Institute was enlarged and its name changed to the Union of Burma Applied Research Institute (UBARI). When United States economic aid was resumed a \$2.7 million loan in both dollars and kyats was made to the UBARI.

Aerial Survey

3872,543

Maps are of vital importance to a developing country. Burma has now been completely mapped by the Aerial Survey Division of the Burma Survey Department. The United States helped initiate the aerial survey program with a grant which enabled the work to commence in January 1953.

THE PROGRAM FROM 1956 TO THE PRESENT

Following a balance of payments crisis in 1954-55 Burma requested aid from the United States once more. Thus, economic cooperation between the two countries was resumed with the signing of the first PL 480 Agreement for \$22.7 million on February 2, 1956. This was followed by other agreements the chief of which was the Economic Development Loan Agreement for \$25 million signed on March 21, 1957.

PL 480 Loans and Grants

The United States and Burma have concluded three Sales Agreements for Burmese purchase of surplus American agricultural commodities. These agreements were signed in 1956, 1958 and 1962 respectively. The largest percentage of the kyat proceeds resulting from the sale of these commodities was used in Burma for mutually approved economic development projects. Of this fund amounting to \$34.3 million a large portion was used as loans and the balance as grants.

With the signing on June 2, 1966 of an agreement involving K82,358,171 (equal to \$17,295,233) for school and hospital construction all the PL 480 kyats available for Burma's economic development were turned over by the United States Government. Seventy percent of the amount, K57,650,720, is in the form of a grant and the remaining thirty percent, K24,707,451, is repayable in dollars at 3 percent interest in thirty years.

### Dollar Grants

In 1959, the United States made a \$30 million grant commitment; \$2 million for construction of a two-year Intermediate College (subsequently changed to the Liberal Arts College) and \$28 million to construct a new or improved highway between Rangoon and Mandalay. An additional \$1 million grant was divided between the two projects to provide for architectural assistance and preliminary surveying. The \$28 million commitment for the highway was, except for a small amount already utilized, cancelled in May 1964 as a result of the Revolutionary Government's review of its project priorities and subsequent request that the Rangoon-Mandalay highway project be terminated because it was no longer a first priority project.

The water supply and community services at the Pansang Resettlement project are other AID grant funded activities.

### Rice for Technicians and Scholars - (\$1.1 Million in Dollars)

In 1956, by agreement between the two countries, the Government of Burma exchanged rice, valued at \$1.1 million, for the services of American technicians and for the cost of sending Burmese scholars to the United States. The United States used the rice to help meet a food emergency in Pakistan.

### Indian Rupee Exchange - (\$5 Million in Rupees)

So that Burma could import textiles from India without spending foreign exchange the United States in 1958 provided Burma with \$5 million in PL 480 Indian rupees for which Burma reimbursed the United States in kyats.

### Loan for Economic Development - (\$25 million in Dollars)

Burma has the option of repaying the loan in dollars or in kyats over a period of 40 years. With repayment in kyats, the rate of interest is 4%. If repaid in dollars, the interest rate is 3%. Interest is waived for three years after the first disbursement.

The \$25 million line of credit has been almost completely exhausted with the signing on June 15, 1965 of an agreement for a new teak mill (Expansion of Teak Production, Phase II).

### Police Assistance - (\$8,730,011 in Dollars)

The United States concluded two dollar loan agreements with the Burmese Government in 1958 and 1959 for equipment at a total subsequent value of \$8.8 million. The Burmese Government has the option of repayment at 3½ percent in either kyats or dollars and over a 40-year period.

Completed Projects

Kabo Dam

\$1,586,521

The reconstruction of the Kabo Dam in northern Burma has made it possible for some 50,000 families to resume the cultivation of approximately 300,000 acres of land.

Timber Extraction

\$661,669

Burma's foreign exchange earnings from timber exports, notably green teak, have been increased by the provision of mechanized timber extraction equipment in this pilot project.

Mechanical Rice Handling and Processing

\$152,213

Although this is a pilot project, the tractors, trailers, sack pilers, mobile conveyors, and cleaning and grading equipment which have been provided have, among other things, significantly improved the rate at which rice is loaded at the port of Rangoon. For the first time since independence, loading at the port has kept pace with deliveries of rice and available shipping space.

Telecommunications

\$153,016

Under this project the telegraph and telephone systems between Rangoon and Mandalay have been restored, and new terminal equipment has been installed. There are now 12 telephone channels and 12 telegraph-teletypewriter channels in operation. Of the total of 430 miles of the route 142 miles were rehabilitated, and 288 miles represented new construction.

Land Restoration

\$5,353,000  
(in PL 480 kyats) - \$6,789,496

Under this project approximately 508,000 acres of farm land have been reclaimed; rice production in the area has been increased, and the output of other crops, such as jute, has also gone up.

The Agricultural and Rural Development Corporation (ARDC) have used funds provided under this project to procure tractors, earthmoving equipment, and other materials to help restore to cultivation and resettle areas which were previously cultivated in the Irrawaddy and Sittang River valleys. This work entails the reconstruction of protective embankments and drainage systems destroyed as a result of World War II and its aftermath, as well as assistance to farmers in helping them resume cultivation.

This project has brought an increase of milled rice production of up to 203,200 tons annually, most of which will be available to assist in increasing exports to near pre-war levels. In addition, the project

has promoted double and triple-cropping, diversification and shifts in land use. Very significantly, the project has promoted internal peace and security through the return of former inhabitants to productive work on the land.

Union of Burma Applied Research Institute \$357,998  
(in PL 480 kyats) - \$1,186,975

Under its earlier program the United States in 1953 assisted with both technical services and scientific equipment in the establishment of the Union of Burma Applied Research Institute (UBARI). Under the 1957 dollar and PL 480 loans additional scientific and technical equipment and technical services from the Armour Research Foundation have been provided. UBARI has grown to be a major research institute employing a staff of over 300 and occupying 15 buildings.

As Burma's principal centre of industrial technology, it assists Burmese industry with analytic and applied research work and technical information. Its activities cover a number of fields of particular significance in Burma, including ore assaying, food technology, analytic chemistry, electronics, equipment calibration and standardization, and ceramics.

Airport Development \$1,06,031

Equipment has been installed for lighting, communications, traffic control, fire fighting, and rescue work at Mingaladon Airport, Rangoon, and at 16 smaller airfields in Burma.

Village Water Supply \$569,661  
(in PL 480 kyats) - \$1,791,387

Under this project drilling rigs, steel pipe, and pumps have been procured and placed in operation. This equipment has appreciably increased the Water Supply Board's operating efficiency and capacity.

Namsang Area Development \$750,000

The Burma Army's resettlement project at Namsang is located in the southern Shan States. The United States has been engaged in providing a domestic water supply to serve the project's ten resettlement villages and three Shan villages. Overall seven thousand people were benefitted when the second part (the first was opened in April 1964) of the supply was completed in September 1964.

AID has also provided equipment to improve essential community services, and encouraged modest industrial expansion by the introduction of pilot agricultural processing plants.

Continuing Projects

Inland Waterways Fleet Improvement

\$1,565,383

Inland water transport has particular significance in Burma where the country's rivers and coastal waters often provide the only means of communication between population and trading centers. The operating capacity of the Inland Water Transport Board (IWTB) was severely dislocated as a result of World War II, and AID assistance is being used to increase the number of freight and passenger carrying vessels and, in addition, to modernize maintenance and repair facilities.

The arrival of new vessels in 1965-66 including three sternwheelers, four twinscrewed vessels, and two catamaran-type ferries has revitalised the IWT passenger services in the Arakan, Chindwin and Rangoon-Syriam runs. Cargo-carrying capacity and maintenance facilities have been strengthened with the delivery of 35 cargo barges, three power barges, 10 oil tanker pusher barges, one steam harbour tug, two water tenders, one river salvage pump vessel, one river salvage vessel, and one pusher tug. The last procurement for the IWT, the second pusher tug, will be delivered at the end of 1966. With its arrival the IWT project will be completed.

Rangoon General Hospital

\$750,390  
(in PL 480 kyats) - \$801,680

The Rangoon General Hospital remains the country's largest center for medical treatment. It's facilities have become overcrowded as a result of Rangoon's population increase, and to help relieve the congestion AID is providing assistance in the construction of new adjunct services and out-patient department buildings. The adjunct services building is completed and is already in use, the School of Para-Medical Science being its principal occupant. The out-patient department building is in the final construction stage and is scheduled to be ready by early 1967.

Rangoon Water and Sewerage Systems - Rangoon Water \$1,035,000  
(in PL 480 kyats) \$ 612,185  
Rangoon Sewerage \$515,000  
(in PL 480 kyats) \$133,183

The water and sewerage systems for the capital were designed and constructed at the turn of the century. The present AID assisted program will retain the old system but will increase their utility through rehabilitating the various works and to providing new works.

Repair of sewage ejector stations will be completed by June 1967. For the first time after the war, systematic cleaning and repair of all gravity laterals of the sewerage systems have been initiated. In addition, a utility mapping survey of the city and master plans for both the water and the sewerage systems have been completed.

Detailed drawings and specifications for installation of waterline improvements based on the approved master plan have been completed, and procurement of pipe and other commodities is under way. A 10-million gallon reservoir is nearly completed. Water meters are being installed in the central portion of the city as a move to prevent wastage.

Expansion of Teak Production, Phase I

\$1,444,654

Teak is potentially a very important earner of foreign exchange for Burma. AID, in recognition of this fact, has provided assistance to establish more mechanical extraction units in the teak forests to supplement elephant power. Assistance has also been provided to increase the productive capacity of several Rangoon sawmills. In this latter area, new or improved buildings have been added to the old mill structures and new milling equipment is being installed to replace those which are no longer economically operable.

Land and Water Resources Development

\$3,400,000

This project is an extension of activities carried out under the completed project Land Restoration with the exception that greater emphasis is to be given to crop diversification under the new project. Regarding crop diversification, the four-year project program plans for putting an additional one million acres under non-rice cultivation, principally for groundnut, peas, beans and jute. This project will be completed on delivery of tractor spare parts and reproduction equipment for printing agricultural bulletins and pamphlets.

Police Assistance

\$8,730,011

The People's Police Force has so far received 225 small trucks, 557 Willys Jeeps, 325 Landrovers, 48 three-ton trucks, 108 Fiat patrol cars, 1,700 bicycles, 475 motor cycles and 18 patrol boats. The PPF has also been supplied with 3 riot suppression trucks, 10 Landrover firefighting trucks, 2 Fiat ambulance cars, 42 prison vans, 10 water trucks and 2 crane wrecker vans. All the vehicles have been supplied with spare parts. A quantity of motor garage equipment has also been furnished. For swift communication 21 teleprinters with Burmese keyboards and miscellaneous telecommunications equipment have been received by the PPF. Recently the PPF has also received 61 police patrol launches, 40 portable transistorized transmitter-receiver sets and a quantity of traffic security equipment.

Rangoon University Liberal Arts College

\$2,245,413

(in PL 480 kyats) - \$5,915,364

With AID grant assistance a new campus for 7,000 students is rising on a 400-acre site two miles north of the main campus. Ten men's hostels have been completed and occupied. The ground level has been constructed for the academic group, women's hostels and chummeries for unmarried faculty members. Foundations have been laid for the seven-storey faculty tower and student activities center, designed by a firm of U. S. architects.

As part of the Rangoon University Liberal Arts College project a prestressing plant and a glazing kiln were constructed. The prestressing plant is about to go into production and will manufacture prestressed concrete beams using glazed ceramic extrusions as forms. The glazing kiln has begun to produce permanent finished surfaces in different colors for the buildings.

The use of prestressed materials would lower the cost of building materials because of its relative strength and lighter weight compared with conventional construction. Glazed ceramic products for both interior and exterior surfaces would eliminate the use of paint and would also prevent unsightly fungus from growing on weather-exposed surfaces during the wet Monsoon season.

Expansion of Teak Production, Phase II \$3,480,000  
(in PL 480 kyats) -32,047,059

The loan agreement for this project, the last under a 1957 line of credit for \$25 million, provides both dollars and PL 480 kyats for construction and equipment of a modern, electrically-operated teak sawmill at Okkyin, near the east bank of Hlaing river in the Greater Rangoon Industrial Area.

Tenders were received for final design of structure and plant layout but were all rejected because they exceeded the funds available by about one-third. Plans and specifications are being revised to reflect the new approach which is to buy the equipment and install it with the aid of factory representatives under STB supervision. STB engineers will be trained to operate the machinery. Pile driving by the People's Works Corporation (PWC) responsible for construction of the buildings will begin at the end of 1966.

The mill will have an estimated input of 150,000 tons of round logs and an output of 94,000 tons of sawn teak annually on a two-shift basis. This will be the largest sawmill in Burma and will enable the country to increase its foreign exchange earnings from teak which stands next to rice in export and to meet the demands of modern trade.

UNITED STATES ASSISTANCE PROGRAM

FISCAL OBLIGATIONS

As of August 15, 1967

	United States Contributions		
	Dollars	PL 480 Kyats	(\$Equivalent) 2/
<u>1957 ECONOMIC DEVELOPMENT LOAN</u>			
Rangoon General Hospital	\$ 750,390	K 3,816,000	\$ 801,680
Rangoon Water Supply	1,104,000+	4,703,210++	988,069
Rangoon Sewerage System	515,000	634,000	133,193
Expansion of Teak Production, Ph.II	3,480,000	12,600,000	2,647,059
*Inland Waterways Fleet Improvement	4,564,794	-	-
*Land and Water Resources Development	3,400,000	-	-
Expansion of Teak Production, Ph.I	1,444,222	-	-
*Reconstruction of Kabo Dam	1,586,521	-	-
*Timber Extraction	661,669	-	-
*Rice Handling & Processing Mech.	152,213	-	-
*Telecommunications	153,016	-	-
*Rice Mill, Spare Parts	54,759	-	-
*Land Restoration	5,353,200	32,318,000	6,789,496
*Union of Burma Applied Research Inst.	857,998	5,650,000	1,186,975
*Civil Aviation, Airport Development	406,031	-	-
*Village Water Supply & Sanitation	569,661	8,527,000	1,791,387
	<u>\$25,053,474</u>	<u>K68,248,210</u>	<u>\$14,337,859</u>
<u>POLICE EQUIPMENT LOAN</u>			
*Police Assistance	\$ 8,724,011	-	-
<u>GRANT ASSISTANCE</u>			
Rangoon University Liberal Arts Col.	\$ 2,245,413	K28,157,136	\$ 5,915,364
*Rangoon Mandalay Highway 1/	1,533,021	535,500	112,500
*Namsang Area Development	730,918	-	-
	<u>\$ 4,509,352</u>	<u>K28,692,636</u>	<u>\$ 6,027,864</u>
<u>GRANT/LOAN ASSISTANCE</u>			
Hospital and School Construction	-	K82,358,171	\$17,295,233
<u>GRAND TOTAL</u>			
Loans plus Grants	<u>\$38,286,837</u>	<u>K179,299,017</u>	<u>\$37,660,956</u>

1/ This project was terminated at the request of the Burma Government in May 1964. The funding referenced here is that required to complete payments for previously completed surveys and designs.

2/ K4.76 = US \$1.00. + Includes \$76,838 from Special Trust Fund

\* Completed Projects ++ Includes K837,210 from Special Counterpart Acct.

August 1967

SUMMARY OF ACTUAL AND COMMITTED

U.S. ASSISTANCE TO BURMA, 1950-1966 2/  
(Expressed in 000 Dollars)

Economic Development Grant, 1950	\$ 19,700
Rice for Technicians, 1956	1,100
Economic Development Loan, 1957	25,000
Indian Rupee Exchange, 1958 (Rupees)	5,000
Police Equipment Loans, 1958 and 1959	8,500
Rangoon-Mandalay Highway 1/	1,533
Preliminary surveys and studies	Direct Dollars (1,102)
Engineering Design	"    " ( 409)
US Corps of Engineers Terminal Activities	"    " ( 22)
Rangoon University Liberal Arts College	2,250
Public Law 480 Loan, 1957 (Kyats) 3/	17,300
Public Law 480 Grant, 1959 "	6,600
Public Law 480 Loan, 1960 "	800
Public Law 480 Loan, 1961 "	8,450
Public Law 480 Grant, 1962 "	1,900
Public Law 480 Loan, 1962 "	5,331
Public Law 480 Grant/Loan, 1966	17,295
Namsang Area Development	731
	<hr/>
	\$121,790

1/ This project was terminated at the request of the Burma Government in May 1964. The funding referenced here is that required to complete payments for previously completed surveys and designs.

2/ As of January 31, 1967.

3/ PL 480 Loans and Grants are authorized under the following agreements:

PL 480 Agreement signed February 2, 1956	\$22,700,000
PL 480 Agreement signed May 27, 1958	18,000,000
PL 480 Agreement signed November 9, 1962	9,520,000

February 1967