

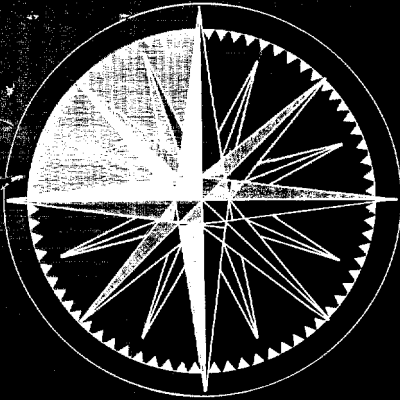
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CURRENT INTELLIGENCE WEEKLY SPECIAL REPORT

BURMA UNDER NE WIN

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BURMA UNDER NE WIN

During more than four years as head of Burma's government General Ne Win has failed to bring social and economic stability to his country through his "Burmese Way to Socialism." His Union Revolutionary Council (URC), inexperienced and inadequate in political and economic affairs, rigidly adheres to a military-style authoritarianism. Foreign policy continues along lines of noninvolvement and neutralism as Burma tries to make the best of its proximity to China and its position in an unstable Southeast Asia. Exports continue to decline and internal distribution is nearly at a standstill. Nevertheless, Ne Win remains firmly in charge and there seems to be no one capable of displacing him. His visit to the US early this month will come at a time when Burma seems to be approaching a crossroads in domestic policy with some signs indicating that Ne Win is ready to moderate some of the highly doctrinaire policies which have helped to create Burma's current problems.

General Ne Win

Ne Win is chairman of the Union Revolutionary Council, head of the Revolutionary Government of the Union of Burma (RGUB), and chairman of the Burma Socialist Program Party (BSPP), the only legitimate political party in the country. Also, as minister of defense and chief of staff of the Burma Defense Services, he is undisputed master of the power structure on which this government rests.

He has achieved this position by retaining the loyalty of the military and by taking Draconian measures against almost every other group in Burma's political and economic life, including opposition parties, would-be military coupists, private entrepre-

neurs, and civilian administrators. The failure of the civilians to give Burma competent government caused Ne Win to replace most of them with military officials. This in turn led to oppressive regimentation and overcentralization which has done little to improve government efficiency.

In October 1958 a floundering economy and Prime Minister U Nu's incapacity to deal with insurgency led Ne Win to establish a caretaker government and to assume the positions of prime minister and defense minister. Moving quickly, and abiding by constitutional forms, he was able to restore some semblance of order to Burma's domestic chaos.

Control of the government was returned to U Nu in April 1960

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GENERAL NE WIN

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following national parliamentary elections, and Ne Win, now something akin to a national savior, resumed his military duties. In February of the following year he carried out a sweeping purge of senior army officers involved in plotting to restore military control of the government.

By 1962 Ne Win had lost patience with U Nu's bumbling leadership. On 2 March he led his own coup against the government (an action that was largely greeted with relief) and established the Revolutionary Government of the Union of Burma. He set up the Union Revolutionary Council with himself as chairman, and took over the responsibilities for defense, finance, national planning, and judicial affairs. Since that time, he has delegated responsibilities for judicial affairs, finance, and revenue, but still maintains command of the defense structure and national planning.

"The Burmese Way to Socialism"

Nothing could be further removed from Ne Win's caretaker government of 1958-1960 than his present regime. Although the goals embraced in the "Burmese Way to Socialism," as expounded by him on 30 April 1962, were no new departure, the abrupt break with parliamentary procedures and his obvious intent to implement these goals almost overnight caused considerable consternation among his more moderate supporters.

State ownership was to be the keystone of the economy and there was to be a place also for collective ownership. Private enterprise and foreign investment would be restricted to joint activities with the state.

The ensuing debate led by moderate officials who opposed the speed with which these plans were to be carried out resulted in the dismissal and subsequent imprisonment of Brigadier Aung Gyi, Ne Win's second in command. Aung Gyi's fall from grace left Brigadier Tin Pe, a holder of extreme leftist economic views, with a clear field to direct Ne Win's economic program.

The government proceeded to make itself the exclusive director of the Burmese economy. It nationalized industries, took over almost all foreign trade, monopolized distribution, and instituted tax rates that virtually drove out the private business sector made up mostly of Indian, Pakistani, and Chinese merchants.

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The result has been economic chaos. Agricultural production is stagnating and much of the produce is black marketed. Industrial production has declined, and the capital plant is deteriorating. Commodity distribution has become a hopeless tangle of shortages, haphazard rationing, hoarding, black marketing, and appalling wastage. Exports have dropped and foreign exchange reserves are falling, despite severe but often uncoordinated import restrictions.

Rather than reverse the trend, Ne Win in the past accused administrators of failing to implement his policies correctly.



Ne Win is a proud and suspicious man and it remains to be seen whether he will admit his errors and moderate his economic policies. Nevertheless, prospects for a saner and less doctrinaire approach appear better than at any time since 1962.

Insurgency

Insurgency by two kinds of Communists and various ethnic groups has been a problem in

Burma since World War II and the Ne Win regime has done little more than its predecessors to solve it. The several insurgent groups pose no significant threat to the government itself, but they hamper government communication and transportation and tie up the government's already inept distribution network. Desertions and defections by army troops, army sympathies with the insurgents, and the use of most competent military officers to fill administrative positions in the capital area hamper efforts to deal effectively with insurgents.

Active ethnic insurgents number 4,500 Karens, 4,500 Kachins, and 5,000 Shans claiming to represent the populations of their states. Each of these groups seeks autonomy, something which the government is not willing to grant.

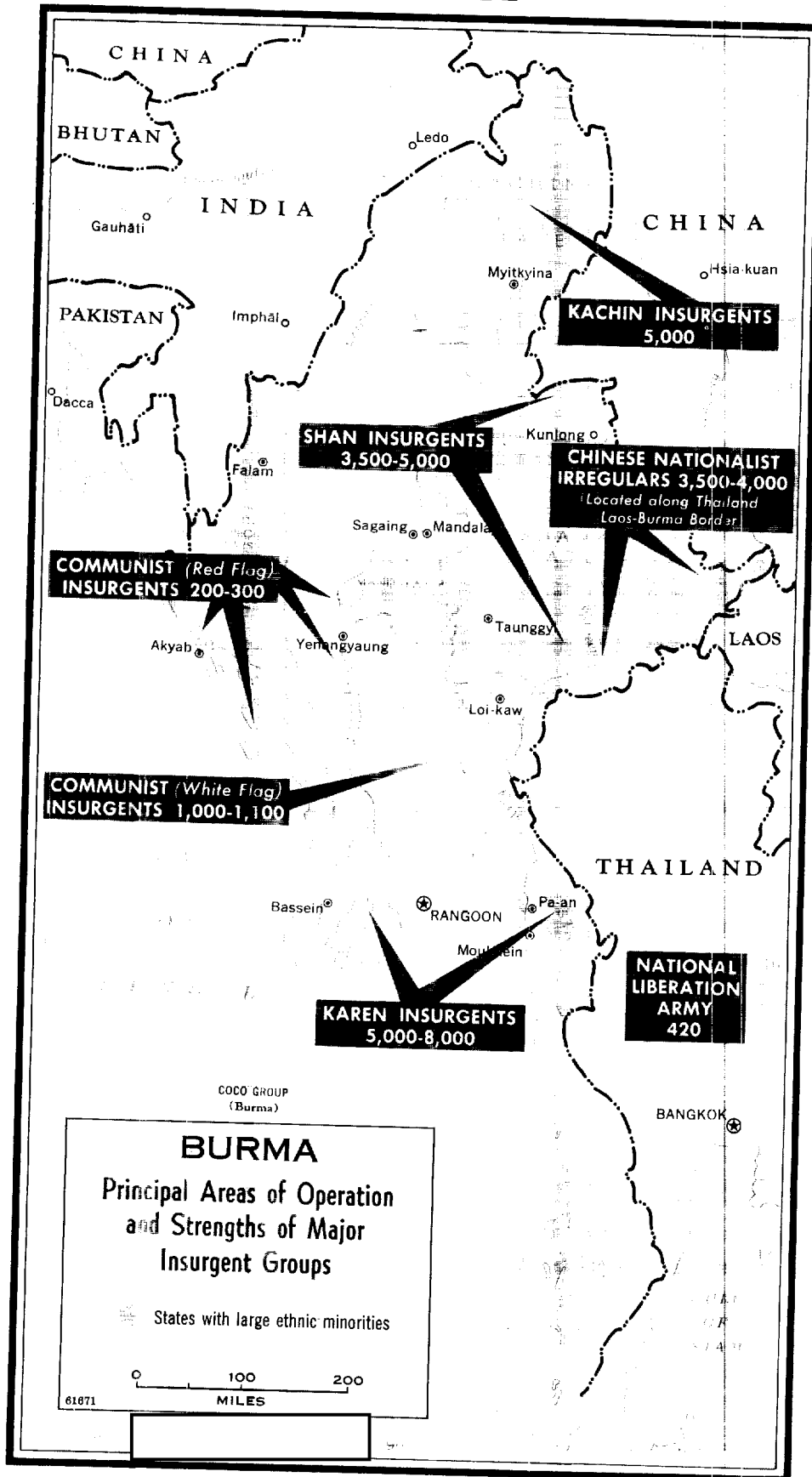
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The Karens have been the most active group, although weakened by internal dissensions and factionalism especially since a brief and uneasy truce with the government broke down in 1964. The two principal factions are the Karen National Defense Organization and the Communist-led Karen National United Party. There are approximately two million Karens in Burma.

The Kachin insurgents seek autonomy for the Kachin State of 500,000 persons, and are organized into the Kachin Independence Army. They operate

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primarily in the Kachin State but often penetrate into the northern part of the Shan State.

Shan insurgents operate almost wholly within the Shan State. They are divided into several contending factions but the Shan State Revolutionary Council seems to hold much of the power. There are about 1,500,000 Shans in Burma.

In May 1965 several Burmese exiles in Thailand formed the National Liberation Army with the goal of overthrowing the Ne Win regime. This group has tried to form a united front with ethnic insurgent groups but has had little success so far. At the moment it consists of approximately 20 ex-army officers and about 400 predominantly Karen followers.

The remnants of the Chinese Nationalist force that fled over the border in 1949 continue to cause the regime some difficulty. They receive very little assistance from Taiwan, however, and their original strength of 10,000 has dwindled to about 4,000, many of whom are local tribesmen led by Chinese officers. Their original objective of military incursions into Communist China has given way to banditry and opium trading, often in collusion with other insurgent groups.

Communist Forces

Communist forces are divided into two groups, the Burma

Communist Party--White Flag-- and the Burma Communist Party--Red Flag. The white-flag group, with an estimated hard core of 1,000 Peking-oriented activists operating mainly in the Irrawaddy delta, is the more significant of the two, although they represent no real threat to the government.

The Red Flags number about 200 militant, radical Trotskyites with some student support in Rangoon but no popular base of support. They constitute only a minor nuisance to the government.

Overt Opposition

All "above-ground" opposition to the Ne Win regime has been effectively smothered. In March 1964 all political parties, except the government's Burma Socialist Program Party, were banned, and mass arrests of political opponents followed.

Burma's Foreign Relations

Under Ne Win, Burma's traditional policy of neutralism and noninvolvement has been pushed almost to the point of isolation from world affairs. Foreign contacts are discouraged and diplomatic relations are held to a minimum.

Ne Win's ambition to see Burma as a self-sufficient nation, despite his oppressive domestic policies, has led him to reject regional and international alignments.

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His conduct toward Communist China, while often independent, has been tempered by a felt need not to provoke a powerful neighbor with which Burma shares a 1,360-mile border. Relations with the Soviet Union have been lukewarm, and trade with that country probably does not exceed \$20 million annually. While Ne Win in principle is willing to accept foreign aid, he tends to view the motives of would-be donor countries with considerable skepticism.

Ne Win's antagonism toward the US seems to have been tempered somewhat by a recognition of the need for a US presence in Asia. However, the suspicions and restrictions of the past have effectively cut US aid programs to Burma to a minimum. The last major project was the Rangoon-Mandalay highway, which Ne Win canceled in May 1964. In June 1965, under a \$25-million line of credit opened by the US in 1957, an agreement was signed to finance \$3.5 million in foreign exchange and aid in the construction of a teak mill near Rangoon.

Under the US military aid program, deliveries of major equipment will be completed by mid-1967 and the spare-parts program will run out by end of fiscal year 1969. At present no follow-up programs are being considered.

War reparations from the Japanese Government account for a large part of Burma's present

income--\$250 million between 1953 and 1965. In 1963, Burma arranged for a further \$140-million credit for goods and services and a loan of \$30 million for the period 1965-77. In addition, a Chinese Communist line of credit totaling \$84 million has been used for various projects such as paper, textile, and plywood plants, sugar mills, bridges, and various irrigation projects. Aid on a smaller scale has been extended by Poland and Czechoslovakia.

Outlook

Although there seems to be little prospect for early improvement of conditions in Burma, there is evidence that Ne Win may move to moderate his policies. The results of his often misguided rule can be seen by all Burmese but a move to overthrow him does not seem likely. More thoughtful Burmese are coming to realize that there is presently no good alternative to Ne Win, and his suppression of dissident elements has discouraged active opposition.

Ne Win has been quite effective in sweeping away the early postindependence institutions and personalities which are obviously not the answer to Burma's problems, but little that he has substituted will survive his own autocratic rule. He has not used his period of power to develop a new generation of civilian politicians

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and administrators to supplant the discredited old-time politicians and the military officers now in authority. Unless he recharts his economic course, Burma, although relatively rich in natural resources and a major rice exporting nation, has little prospect for development and progress.

In the international sphere, Ne Win's almost pathological reluctance to allow Burma to participate in the world community will limit Western influence, but it will impose comparable limitations on Chinese Communist political inroads.

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