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### ECONOMIC REHABILITATION IN BURMA

As the Japanese retreat from Burma, returning British authorities face the pressing problem of economic rehabilitation of the country. In three and one-half years the tide of war has twice swept across Burma. During that time an almost complete cessation of Burma's export and import trade, widespread devastation of property and transport facilities, and an extreme shortage of consumer goods have caused a severe economic depression.

Since Burma's foreign trade is based on her ability to export rice, the resumption of full-scale paddy cultivation is her most urgent immediate need. Reclamation of millions of acres of rice lands which have lain fallow since Burma's foreign rice markets were cut off will require amounts of labor and capital that Burman farmers and landowners will be unable to supply. Of more fundamental importance to the restoration of Burma's agricultural economy, however, will be the solution of the political-economic problems of Indian Chettyar absentee landownership and of Indian labor immigration into Burma. The widespread dispossession of peasant farmers and flooding of the labor market have been deeply resented by the Burmese, and have been a source of friction in Burma-India relations for many years. The problem of permitting the return of Indian landowners and laborers who fled to India at the time of the Japanese invasion in 1942 will force the returning Government of Burma to reach definite decisions on immigration and land tenure policies already formulated in prewar legislation, but now contested by British and Indian business interests.

#### *The Prewar Burman Economy*

In the late nineteenth century, with improved water transportation to Europe and a growing market in Southern Asia, the rice production of the Irrawaddy Delta expanded enormously. The Burman cultivator, however, profited little from this development. A government policy of economic *laissez-faire* prevailed, and by sale or mortgage foreclosure, land equities passed steadily from Burmese owners to a hereditary money-lending or banking caste of Hindus from South India, the Chettyars. Partly because of lack of commercial experience and a widespread feeling that agriculture was the only truly honorable livelihood, few Burmese have ever become bankers and financiers, preferring to depend on foreigners. The result was that even the land slipped from their grasp, and the Chettyars in the course of time became the chief holders of the largest single financial stake in Burma, the paddy country. Large numbers of peasant farmers thus were turned into landless laborers or tenants.

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The Chettyars had had long experience in financial transactions before coming to Burma. Although they sometimes accepted deposits and borrowed a small part of their funds from British banks, the greater part of their capital was provided by their own past savings. They operated on an individual or family firm basis, and in Burma their headquarters were usually in Rangoon with branches in convenient towns and large villages. They would lend money at rates of interest varying from 15 to 36 percent per annum, against mortgages on first-class real estate. Agents were normally changed every three years and at the end of that period the agent was under compulsion to place the affairs of his agency in as liquid a condition as possible against the impending triennial audit. This resulted in great pressure on the cultivators to bring their interest payments up to date and if possible to make substantial payments on the principal. The Burmans, who had never before been able to borrow large sums of money easily, had signed the contracts freely without thought of final repayment, and thus many who were unable to meet their obligations lost their land to the Chettyars.

Wholesale foreclosure set in when the depression of 1929-35 caused a catastrophic fall in world cereal prices and the value of Burma's rice land fell below the face value of mortgages and accrued interest. By 1936 the Chettyars owned one-quarter of all the rice-growing land in Lower Burma and held almost full value mortgages on another quarter of the total. In the richest districts around Rangoon, Chettyar holdings were even larger. Chettyar ownership did not increase greatly after 1936. Prices and land values had increased, and also the Chettyar community decided that it was wiser to keep the farmer paying interest than to take possession of his land and attempt to manage it directly or sell it.

A parallel development in the field of agricultural and industrial labor worked to the disadvantage of the Burmese. British and Indian entrepreneurs found imported Indian laborers cheaper and more docile than most Burmese. Along with large numbers of unskilled Indian workers came shopkeepers, clerical workers, and professional men. Indians and other non-Burmans came to control most of the brokerage, wholesale, and transport of commodities in prewar Burma. The Burmese bitterly resented this economic competition, but prior to 1940 British law prevented them from restricting Indian immigration.

In Lower Burma social and economic deterioration gathered momentum steadily after 1900 as unemployment mounted and more and more of the cultivators were deprived of their land through debt to the Chettyars or lost their tenancy and jobs through the competition of Indian laborers. Uprooted from their homes with only a meager livelihood, the Burmese rural population of that area eventually reached a degree of transiency where half of them took up new plots each year. The result was a decay of community institutions and vitality. Anonymity of the residents in a community undermined social control, and criminal activity became rampant. The village headmen commanded less authority because they were appointed by the government and were responsible to

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it rather than to the people. There was almost no popular participation in district and municipal affairs, and religious control was weakened by the decline of Buddhist ecclesiastical prestige. Lawlessness in Burma, especially in the last twenty years, reached proportions far greater than in any other Asiatic country.

The decline of Burmese rural relationships, together with its unfortunate political and social effects, was a natural consequence of discordance among three separate levels of civilization. While British jurisprudence was in general equitably administered, and while Chettyar capital and Indian labor greatly expedited the economic development of the Irrawaddy Delta, the result of the uncontrolled operation of these forces ultimately was the dispossession of the Burmese, chief residents and farmers of the rice-growing regions.

Beginning in 1938 the Burma Legislature made attempts to remedy the position of the cultivators by passing the Tenancy Act, the Land Purchase Act, and the Land Alienation Act. The Tenancy Act, intended to safeguard tenants from eviction and to fix fair rents, was so poorly administered that near-chaos resulted and it had to be suspended. The Land Purchase Act provided for Government purchase of large areas owned by Chettyars and other non-agriculturalists, to be resold on a "rent purchase" plan to genuine cultivators. This law scarcely had become effective when war broke out. The Land Alienation Act also had little chance to be put into operation. According to its provisions, agricultural land could be bought only by cultivators, rigidly defined to mean those who cultivate with their own hands and thereby earn the greater part of their living. However, exemption of contracts made prior to passage of the Act meant that only a small percentage of peasant owners were protected.

Burman demands for the restriction of Indian immigration were finally met by the Bajpai Agreement of 1941, which, however, could not be put into operation before the outbreak of the war. The Agreement divided actual and prospective Indian residents of Burma into those who could claim permanent residence, with "A" permits, and those who would be permitted only temporary entry, with "B" permits. The Agreement was based on a report which demonstrated that absolute prohibition of Indian migration was not economically desirable. Indian labor would be needed in Burma for an indefinite period to perform heavy work around the port of Rangoon, on the railways, and in the tin and wolfram mines. Although Burman employment in industry was slowly increasing, Indians still provided two-thirds of the industrial labor required. The report was equally emphatic in asserting the need for regulation of immigration in view of the widely varying standards of living between the two races and the intensity of Burman feeling on the subject. Nevertheless, for the sake of good relations the report counselled the handling of the question by negotiation with the Government of India rather than by unilateral action. Accordingly the Agreement called for an Immigration Board made up of Burman, Indian, and European members to fix the annual quota of "B" permits.

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### *The Burman Economy Since 1942*

Burma suffered a greater economic dislocation than any other GEA country because the Japanese invasion virtually halted her foreign trade which had been predominantly oriented toward India and the West. Within the GEA sphere, the Burmese were unable to find substitute markets or supplies. Japan apparently secured in Thailand and Indochina more rice and teak than overburdened Japanese transport could handle. Thus, with the exception of strictly military traffic, Burma's foreign trade shrank to less than 5 percent of its prewar volume.

During the Japanese occupation the cessation of rice exports left an accumulation of some three million bushels of paddy from the 1941 crop, and the area of cultivation for 1942 dropped about 30 percent below normal. Prices were so low that farmers saw no reason to harvest their crops until the military authorities in the fall of 1943 bought up and stored a portion of the grain carried over from the previous year. Initial efforts to encourage the raising of jute, cotton, and vegetables produced meager results. At first a certain amount of employment was to be found under the Japanese, but depression and unemployment generally prevailed until forced labor on military installations absorbed the surplus workers.

The virtual cessation of foreign and domestic trade made stocks of many types of consumer goods irreplaceable. The shortage of cloth, thread, matches, cooking oils, soap, salt, kerosene, and leather goods became particularly acute. Thus at the very time that the paddy market was in a state of collapse, commodity prices rose alarmingly. By the spring of 1943 regular items of clothing at Rangoon cost from seven to twelve times their price in January 1942. The liberal distribution of Japanese military currency aggravated the price spiral. Hard money disappeared and shopkeepers accepted Japanese notes only under duress. Money ceased to provide an adequate incentive to the peasant farmers.

One of the chief factors behind Burma's wartime economic distress was the destruction of transport facilities by both the Japanese and the Allies. The collapse of internal transport and trade has caused the uneven distribution of hardships arising from the dislocated economy. Hundreds of railway and highway bridges have been demolished, many of them large spans that cannot be replaced for years. All railway yards and workshops of significance are in ruins. In many places twenty-mile stretches of rail track are missing. Of hundreds of locomotives in operation before the war only a few dozen are now serviceable, and rolling stock has been reduced in the same proportion. The Japanese did nothing to keep Burma's roads in repair. Many years will be required to replace the boats destroyed between 1942 and 1945 on the Irrawaddy, Chindwin, and other navigable rivers.

Cart transportation as well as rice cultivation in Upper Burma has been hampered by a serious lack of draft cattle. Excessive slaughtering by the military started the problem, and anthrax and hoof-and-mouth

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disease followed, killing off over half the oxen in central Burma. Bullocks had to be purchased from Lower Burma at six to ten times the price they had been worth before the invasion. People were asked to abstain from eating beef in order to avoid an entire depletion of the cattle supply, but black market operations and bribery blocked all Government endeavors to establish an effective control over slaughtering.

Numerous expedients adopted by the Burma puppet Government could not basically improve the difficult agricultural situation. The Government lowered farm rents, and set up Cooperative Credit Associations and Land Mortgage Banks to protect owners from forced transfers of title. Cultivators paid virtually no taxes in 1942. Accumulated interests on debts, owed particularly to the Chettyar money-lender, were cancelled. The debt-ridden delta farmer looked forward to attaining direct ownership of paddy tracts and the Japanese ruled that nonresident landlords, mostly Chettyars, could recover their holdings only if they established proof of their claims. This was often impossible because a great many of the records had been destroyed in the war. But relief from the burden of large debts did not compensate the farmer for the paralyzing loss of his markets and the inflation caused by commodity scarcities.

#### *Post-War Economic Problems*

British and Indian business interests are ready to return to Burma to invest their capital in the reconstruction of the country, but in return they demand a stable British government to protect their renascent enterprises. A stable government to them will mean one which will recognize all legal claims to land and industrial property, and one which will provide continuity of policy and security for investments. The British will have to decide whether to enforce the land tenure legislation passed just before the war or whether to yield to pressure against those Acts in the interests of speedy agricultural rehabilitation. The demands of Indian and Chinese merchants to recover their former monopoly of the internal distribution of goods as well as of the export of rice to India and Malaya likewise will have to be considered.

Former British industrial operators desiring to recover their positions in the milling business, river transportation, production of petroleum and by-products, mining, timber, and the importation of consumer goods, are already contending that the Bajpai Immigration Agreement be held in abeyance so that an unrestricted flow of cheap Indian labor will be available to facilitate rapid economic rehabilitation. The Bajpai settlement was never popular in India, and Indian industrialists who wish to establish factories in Burma manned by Indian labor have already been pressing for the relaxation or repeal of the Agreement. On the other hand, the most influential group of Indians who fled Burma in 1942 already qualify for "A" permits under the Agreement and hence will not be among those pressing for its suspension.

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Burman opposition to the re-entry of large numbers of Indians will probably be tempered to some extent by the staggering demands of reconstruction, but restitution of Chettyar land claims will probably meet with stiff resistance from agricultural classes throughout Lower Burma. Whereas the Burmans will welcome relief from the privations of war, politically-conscious elements will protest all measures which tend to restore foreign economic supremacy in Burma.

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