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## **Economic Development of Burma in Colonial Times**

Nobuyoshi NISHIZAWA

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Institute for Peace Science, Hiroshima University,  
1-1-89 Higashisendamachi, Naka-ku, Hiroshima 730 Japan

TEL (082) 241-1221 ext. 3829

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## Preface

This study deals with the economic development of Burma during colonial times. This is not only of importance itself, but also crucial to understanding the post-war economy. It can hardly be denied that its fundamental structure was created in the colonial period. It had some typical characteristics peculiar to colonial economy for a long time. In practice, it was almost a mono-cultured economy and the main and lucrative fields of the economy were mostly dominated by foreigners. Therefore, post-war independent governments were forced to make strenuous efforts in tackling the defective economy which was formed in the course of the development during colonial times. One of the most important post-war idea for reconstructing independent Burma was socialism, which should be understood to be a nationalistic movement against colonialism, which here is synonymous with capitalism or imperialism.

After General Ne Win seized power with the military coup in 1962, the more radical policies were pursued by the military government of the Revolutionary Council in the 1960s under the slogan of the so-called "Burmese Socialism". This government was mostly nationalistic and anti-capitalistic; in fact the most important target of the Revolutionary Council was to establish an economy for the Burmese people by getting rid of foreign elements from it. Furthermore, in order to prevent the penetration of neo-colonialism, a strict closed policy was adopted. However, foreign trade shrank significantly and direct foreign investment was in effect stopped. Therefore, such policies resulted in long-run economic stagnation.

This directed my research to the economy under British rule. In my work, I have tried to depict the major structural features of the colonial economy in the context of economic development. Unless economic development leads to the significant improvement in the standard of living of general populace, it may be meaningless. However, it is doubtful that this took place in Burma in the colonial period. This problem was my major interest and motive for the study as well. It was impossible to do more in-depth of the economy in specific areas. However, my aim may be to provide an overall view of the economy.

I would like to thank a number of individuals and institutions for their help. First, I would like to thank Dr. N. Okishio (Emeritus Professor of Kobe University) who patiently conducted my research for a long time, Dr.

Mya Than (Research Fellow of the Institute of Southeast Asian Studies, Singapore), to whom I am very grateful for his invaluable comments and his unchanged friendship, as well as to Dr. S. Yamashita (Professor of Hiroshima University) who encouraged me to write a monograph about the economy of Burma. In addition, I am indebted to many former colleagues of the Institute of Developing Economies of which I was once a staff-member, who brought about my interest in the economies of Southeast Asian countries and development economics, and moreover helped me collect materials. Although it is impossible to name all of them, those who deserves particular acknowledgement are mainly M. Kiryu, T. Saito, A. Takahashi, T. Hamauzu, K. Yamamoto, N. Mihira and A. Akemine. Furthermore, I must express thanks to my colleagues of the Social Science Course in the Faculty of Integrated Arts and Science of Hiroshima University, for their generous contribution to my study abroad and useful and stimulating discussion. Last but not least, I have to express my gratitude to the Japan Foundation for its sponsorship which made it possible to study in Singapore, and the Institute of Southeast Asian Studies which provided me with ideal research facilities. My study would not have been possible without the co-operation of these numerous persons and institutions. Needless to say, I am solely responsible for remaining errors of fact and interpretation.

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## Glossary and Notes

### Glossary

ahumdan-sa (land)	land, of which the produce is enjoyed by a soldier
ayadaw	royal land
bobabaing	ancestral or private land
dhamma-ugya	land acquired by right of first clearing
gaung	rural police officer, headman
kayain-wun	district governor
kwin	block of cultivation
Kyedangyi	village officer
lamain-mye	land worked by crown slaves
ledaw	royal land (irrigated)
myin-mye	land assigned for members of the royal family
myo	town or circle of villages
myook	township officer
myothugyi	headman of a town or circle of villages
myowun	governor of a city or district
ngapi	salted and pressed fish
si-sa (land)	lands held by troopers on a service tenure
taik	township
taik-thugyi	circle headman
thathameda	household tax
thugyi	headman of villages or townships
wun-sa (land)	land, appanage of the district governor
wuttakan	land appropriated to the upkeep of pagodas

### Notes

currency : 1 rupee = 16 annas = 192 pies

weight units :

basket 1 basket of paddy = 23 pounds

1 basket of rice = 46 pounds

viss 100 viss = 365 pounds

maund 1 maund = 82  $\frac{2}{7}$  pounds



## Introduction

In colonial times, Burma's economy undoubtedly made substantial progress mainly due to the growth of exports. It may be safe to say that the economic development in the colonial period was brought about mainly by the growing export of primary products, especially rice. As the export demand for Burmese rice was growing, the waste land in the Irrawaddy delta was increasingly brought under cultivation. Thus, the increase in rice exports was accompanied by the striking extension of the paddy field in Lower Burma, which constitutes the core of the economic development during this period. In this way, Burma grew to be the world's largest rice exporting country in the pre-war period. In addition to rice, other natural resources such as timber, oil and minerals were also exploited largely for export. This also made an important contribution to the growth of the economy. Thus, Burma achieved impressive economic progress during colonial times.

However, it is also doubtless that the economy was equipped with various grave problems. As Burma was ruled by the British as part of India, the economy of Burma was firmly built in the Indian economy. As a result, the so-called 'plural society' was created in Burma. This made colonial problems harder and more complicated. In spite of the remarkable agricultural development of Lower Burma, there were a large number of poor farmers in the delta. Meanwhile, a great deal of production factors was directed for the agricultural sector. A mono-cultured economy heavily dependent on agriculture was formed. Therefore, the industrialization of Burma was retarded, so that almost all manufactured goods had to be imported from outside the country. Furthermore, the important natural resources were mostly exploited by foreign firms. It should be apparent from the above brief account that the economy was a very defective one peculiar to an economy under colonial rule.

The main purposes of this study are to make clear the following points.  
1 What economic development took place in the colonial period and how did it develop? In particular, the emphasis of the analysis is laid on the economic development of Lower Burma, especially the rapid expansion of the paddy field in the Irrawaddy delta.

2 What kind of economy was created and what problems were brought about in the course of the economic development ? Marked structural features of the colonial economy are examined with respect to external trade, public finance, investments and occupational structure and so on.

3 Who benefited mostly from the economic development ? This question comes from the fact that most of indigenous people were remained very poor despite the phenomenal economic expansion. This may be perhaps closely related to the dominance of foreigners over the main aspects of the economy.

These are mostly approached from the macro-economic standpoint. This study for the most part deals with the period from the conclusion of the Yandabo Treaty in 1826 just after the end of the First Anglo-Burmese war to the political separation of Burma from India in 1937. The method of research is largely of positive analysis in approaching to these problems. That is to say, the above-mentioned ones will be made as clear as possible on the basis of facts and figures obtained from statistics, censuses, official reports of the government and various committees, gazetteers of districts and books written by several authors.

There is not much stock in terms of the studies on the economic development of Burma during colonial times, while there are vital contributions in the specified subjects. However, the works made by Furnivall J. S. and U Aye Hlaing seem to be most important. This study is not beyond the basic frameworks set by them. Rather, it is complimentary to them.

The structure of this monograph is as follows. First, Chapter one shows how Burma was ruled by the British and then explains the economic development which took place in Lower Burma. It shows that a considerable part of the economic development can be explained by the remarkable expansion of the paddy field in the Irrawaddy delta. The importance of not only exports as a driving force on the demand side but also the supply of labour and capital on the supply side is stressed. In addition, it is pointed out that the progress of transport and rice mills also made an important contribution to the overall economic development of Lower Burma.

Chapter two concerns land reclamation in the Irrawaddy delta. First, it will be seen that there was such a turning point in the first decade of this century when the rapid expansion of the paddy field in the delta was replaced by a slower one. In addition, the kind of economic problems which arose

in the rural areas of Lower Burma with the slowdown in its extension will be analyzed, taking up the main rice-growing districts in Lower Burma, that is, Henzada, Pegu and Bassein. This chapter describes and explains that the areas rented to tenant farmers increased considerably from the beginning of this century, and how big farmers with more than 100 acres of holdings were created in Lower Burma. Chapter two also discusses what differences can be seen in terms of agricultural indebtedness by landowners, cultivating owners, and tenants, as well as how much land was transferred from actual cultivators to non-agriculturists such as moneylenders and traders. The accumulation of land by Chettians in the great depression of the early 1930s is paid particular attention.

Chapter three deals with the economic changes in Upper Burma, which were stimulated by the economic development of Lower Burma. First, it examines the trade between Lower and Upper Burma in the latter half of the 19th century, making mention of the background and contents of the commercial treaty. And then it provides a brief account of institutional changes in land tenure and taxation. Subsequently, it describes how together with the extension of paddy field, crops other than paddy were also grown broadly in this region, and that other important natural resources were exploited largely by European firms. Thus, it seemed that the economic situation of people in Upper Burma was undoubtedly improved. The final part of this chapter examines the effects of the improvement on the movement of population from Upper Burma to the delta.

Chapter four examines the progress and structure of the external trade of Burma, which in effect played major role in the economic development. First, it is stressed how important the export of some primary products was for the development, and how large a share they accounted for in the national income. Then major exports are reviewed in terms of amount, quantity, destination and so on. Secondly, the reasons why imports also grew swiftly in parallel with exports as well as their effects on industrialization will be discussed. Then, it will be seen what was imported in the foreign and coasting trade respectively. In addition, the balance of payment, especially current transactions is alluded to, based on U Aye Hlaing's study.

First in Chapter five, the transition of the financial systems is explained, focusing on the Provincial Contract System and the Devolution Rule, and a

brief account of major revenue items such as land revenue and customs duties is provided. In addition, some characteristics with respect to expenditures are pointed out. However, one of the important aims of this chapter is to show that Burma was forced to carry a very heavy financial burden for the central Government of India. This was undoubtedly one of the major problems during the colonial period.

Chapter six, first of all, alludes to the structural peculiarities in the colonial economy. Looking into the occupational structure based on the figures of the 1931 census, it will be shown that the so-called mono-cultured economy, where agriculture was dominant, was formed under colonial rule; the economic consequences of such an economic structure will also be described. Then, an attempt is made to explore the predominance of foreign firms or individuals over the main aspects of the economy. In particular, foreign investments made by Chettiars and European firms are examined in more detail. Next, the marked occupational features of Indian workers are reviewed in the context of colonial rule.

Finally, the concluding chapter provides summaries of each previous one, mentioning important facts and figures, and then shows conclusions obtained from the overall analysis.

This monograph, except for chapters six and seven, is written on the basis of some articles which were first published in Japanese. However, each article has been substantially re-written. Furthermore, it was necessary to reorganise their content considerably for the sake of the continuity of this study. The list of their English titles is as follows.

“The Diminishing Frontier of Lower Burma and Peasant’s Impoverishment” The Study on Social Science ( The Faculty of Integrated Arts and Science, Hiroshima University ) Vol. 10 , 1984

“Colonial Finance of Burma” The Study on Social Science, Vol. 11, 1985

“Evolution of the Landlord-Tenant Relationship in Lower Burma:in 1880-1910” Hiroshima Peace Science, Vol. 8, 1985

“Development and Progress of Lower Burma” The Study on Social Science, Vol. 13, 1987

“Economic Changes in Upper Burma” The Study on Social Science Vol. 14, 1988

“Foreign Trade and Economic Development of Burma in the Colonial Period” AZIYA KENKYUU ( azia seikei gakkai ) Vol. 34 No. 4 1988  
“Agricultural Credit and Land Transfer of Burma in Colonial Times”  
AZIYA KENKYUU, Vol. 35 No. 2 1989

## Chapter 1

# Economic Development of Lower Burma

This chapter focuses on the economic development of Lower Burma during its occupation by the British. The British encouraged people to grow paddy for export; in this way the waste land in the Irrawaddy delta was gradually brought under cultivation. The increase in rice production necessitated the development of transport and promoted rice-related industries. A large number of people came to Lower Burma and a lot of opportunities for investment were created. The main purpose of this chapter is to make clear the process and causes of the economic development.

### 1 Preconditions for the development

#### Colonial rule by the British

First, it will be useful to review colonial rule by the British. Burma was colonized by the British through the three Anglo-Burmese wars in the 19th century. The British who defeated the army of the Konbaung dynasty with the first Anglo-Burmese war in 1824-26, added the maritime provinces of Arakan and Tenasserim to the Indian Empire with the conclusion of the Yandabo Treaty. At first both Arakan and Tenasserim were administered under the direct supervision of the Governor-General of India, but they were transferred to the Government of Bengal later.

The second Anglo-Burmese war broke out in 1852, through which the British had got Pegu and Martaban with the great potentiality for rice cultivation. While the former was put under a Commissioner who was responsible to the Governor-General of India, the latter was administered as a separate province by the Commissioner of Tenasserim. By the India Government Act of 1858, passed after the outbreak of the Indian Mutiny which let the British revise the system of government in India, British possessions in Burma fell, with the rest of India, from the East India Company to the Crown. In 1862, Arakan, Tenasserim and Pegu which had been separately administered so far were united to form the Province of British Burma, which was placed under a Chief Commissioner. The number of Commissioners was increased from three to four in 1881. Each province under a Commissioner was divided into districts under Deputy Commissioners; these were divided into townships. The townships, which in

general consisted of a number of circles (myo or taik in Burmese) headed by thugyi (headman) or taik-thugyi, were important as a unit of administration under myo-ok who were responsible for general administration, tax collection, jurisdiction, social order and so on. The taik-thugyi was usually selected by a Deputy Commissioner and responsible for maintaining social order and collecting taxes.

While all of the posts higher than a Deputy Commissioner were occupied by the British, the positions under it were almost all taken up by the influential natives appointed by the Deputy Commissioner of the district. They were paid a salary of Rs. 25 to 100 per month as a government officer. But, tax collection became the most important task of the taik-thugyi later, while the work of the police was charged to the gaung. There was also the kyedangyi who was a large tax-payer and assisted the thugyi in tax collection, statistics and police work.<sup>1)</sup>

Finally, the remaining territory ruled by the Konbaung dynasty was annexed to the Indian Empire on the first day of January 1886 as a result of the third Anglo-Burmese war which had occurred in the previous year; from March, the whole of Burma was put under rule of the Governor-General of India as a province of the Indian Empire. Upper Burma was split into four divisions under Commissioners, which were further divided into districts under Deputy Commissioners. At the smallest unit of the administrative machinery in Upper Burma, Crosthwaite's reform is important; it shifted the administrative unit from the traditional circle system to the village system.<sup>2)</sup>

It was in 1897 that Burma was given a provincial government with a Legislative Council with nine nominated members; the Chief Commissioner was promoted to Lieutenant-Governor. Before this, local government in Burma had effectively been under the Governor-General of India. From now on, the rise in the position of the province of Burma in the Indian Empire was done mainly by strengthening powers of the Legislative Council, the number of whose members was increased to fifteen with the adaptation of Morley-Mint Reform to Burma in 1909, and to thirty in 1915. In 1919 the Government of India Act came into force, which aimed at the introduction of dyarchy system into India. Known as Montagu-Chelmsford's Reform, it intended to recognise a certain degree of autonomy for provinces. Burma,

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1) Furnivall J. S., *Colonial Policy and Practice*. Cambridge, 1948. pp. 39-40

2) *ibid.*, p. 74

however, was excluded from the law; arousing intense political resistance to Britain and India as well. As a result the law was applied to Burma in 1923 when it was elevated to a province under a Governor; the size of the Legislative Council was almost trebled to one hundred and three members, eighty of whom were selected by election. From around this time in the 1920s, the issue of its separation from India grew to be the most important political problem in Burma. After a considerable political struggle and disturbance in the 1920s and the first half of the 1930s, Burma was at last separated from India on the first day of April 1937 by the Government of Burma Act of 1935. After that, Burma was ruled separately from India, under a Secretary General of Burma who was subject to the British Government.

Thus, Burma was ruled as part of British India from the beginning of the colonization till 1937. In consequence, a number of Indians came from over-populated India to sparsely-populated Burma during this period. The migration of Indians began after the first Anglo-Burmese war and at first they went naturally to Tenasserim and Arakan. After the annexation of Pegu, most Indian immigrants proceeded to Pegu which needed a lot of labourers from not only Upper Burma but also India for its development; So great was the demand for labourers resulting from the economic development of Lower Burma which was brought about largely by land reclamation in the Irrawaddy delta from the latter half of the 19th century, that it could not be met by the labour supply from Upper Burma alone.

As we have seen briefly above, Burma was ruled as part of India under the Governor-General of India until Burma was detached from India politically in 1937, partly because Burma was geographically close to India, partly because as a colony, the former was of less importance compared to the latter with a huge market. It was exclusively due to the convenience of the British, who desired to administer it as effectively and economically as possible, that the ignorance of the substantial differences between the two countries resulted. Indeed, Burma was quite different from India with respect to race, language, religion, culture, historical background, political system, stage of economic development and so on. This, however, had far-reaching effects on the society of Burma. As a matter of fact there was, except from the standpoint of the colonial authorities, no reason why Burma needed to be ruled as part of India. However, as Burma became an Indian province, it meant that the wall dividing the two different societies was



removed. As a result, a lot of Indians seeking job opportunities moved into sparsely-populated Lower Burma, which needed a large number of labourers for its economic development. Here, the different groups were mixed up with each other. As the Indian presence, social standing and economic power gradually became more influential with the increase in its population, the rivalry between them and the indigenous people developed into the social and political problems which led to the active separation movement from India. Burma was forced to spend much political energy on it.

### **Role of the government**

The colonial government felt the necessity to develop the Irrawaddy delta, because it was an important task for it to increase fiscal revenue through economic development in order to cope with the growing colonial expenditure. Moreover, this was intensified by political incidents such as the Sepoy Rebellion in India in the latter half of the 1850s and the Civil War in the United States in the first half of the 1860s, which made the colonial authorities recognise Burma as one of the major food-producing bases for India as well as European countries. On the other hand, the British merchants and firms were not only very interested in exploiting the natural resources of Burma, but also were eager to sell various manufactured commodities, for example cotton goods, to Burma and if possible to China through an over-land route that was not yet established at that time.

It was impossible to expect that the economic development would take place automatically in sparsely-populated Lower Burma where there was little economic and social infrastructure. As a matter of fact, the government's efforts were essential particularly in the early period to generate economic development. In particular, the efforts of the government were made for the maintenance of political stability and social order, the elimination of all sorts of restrictions imposed by the Konbaung dynasty, the establishment of modern administrative machinery, above all a financial system, the introduction of labour force from the rest of Burma, and the construction of an infrastructure, and so forth. These were all pre-conditions for the economic development which was in practice capitalist, assuring free economic activities on the basis of the laissez-faire principle. Now people in British Burma were free from compulsory service and restrictions on freedom of movement and had got liberty to grow any agricultural products they wanted and to dispose of them at their discretion. However, it

was European capitalists and Indians who most benefited from this free economic system.

Despite the framework laid down by the government for the development, the economic performance in the first some 20 years was disappointing. The most important problem was a labour shortage in Lower Burma, so the government strove to facilitate the movement of labourers from not only Upper Burma, but also India, by providing them with favourable conditions. For example, to make them take up land easily, the government tried some systems of land tenure, namely squatter, patta, lease, and grant. By the squatter system, which later proved to be the most effective of the above systems, people were allowed to take up unsettled land freely and hold it as long as revenue due on it was paid. Further, by the Lower Burma Land and Revenue Act in 1876, private ownership was granted on squatted land on the condition of satisfying the regulations of the law. However, the system was more successful after the general economic situation in Burma substantially improved in the 1870s.

It was an urgent problem to set up financial systems to collect tax to cope with the growing expenditure. At that time, the most major financial item was land revenue. Therefore, it was a central problem of the taxation policy to decide on the amount of taxation and how to levy it on cultivators. When Pegu was annexed to British India, the total revenue of Lower Burma was Rs. 5.3 million, which constituted Rs. 1.3 million from Arakan, Rs. 3 million from Pegu and Rs. one million from Tenasserim. After that, with the increase in paddy field in the Irrawaddy delta, revenue receipts also rose to Rs. 9.4 million within less ten years, to Rs. 15 million in 1873-4 and then Rs. 20 million in 1878-9. The budget of the Province of British Burma provided for a large fiscal surplus annually, the cumulative amount of which was Rs. 65 million from 1872/3 to 1878/9. In 1878/9, various expenditures including military costs (Rs. 2.7 million) amounting to Rs. 72 million, were deducted from the surplus and sent to the Government of India. Per capita tax of Burma was almost equal to Rs. 7 and 3 annas<sup>3)</sup>; Burma was undoubtedly incurred a very heavy financial burden for the central government.

Public works were also contemplated to create an infrastructure as a basis for the development. Above all, much administrative efforts and

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3) Authority (compiled), *Gazetteer of Burma*. Rangoon, 1880 (Reprint 1983, Dheli) p.

substantial funds were applied to projects relating to transport, such as roads, railways, canals, and ports. In fact, a modern transportation system was crucial to the economic development of Lower Burma. In addition to these, embankment projects were also important because paddy field in the Irrawaddy delta were often seriously damaged by floods. Of the projects, the Irrawaddy Embankment was the largest with a total cost of almost Rs. 4 million, and which protected the area of 660 thousand acres.<sup>4)</sup> There were no irrigation projects in Lower Burma. However, the amount expended for projects conducive to the economic development was relatively small compared to the size of budget of Burma as a whole.

## 2 Mechanism of the development

After Burma was put under British rule, it underwent drastic economic change particularly in Lower Burma. This was brought about mainly by the striking expansion of paddy field in the Irrawaddy delta. Although the delta was mostly only waste land covered with swamp and jungle when the British annexed Pegu in 1852, it was swiftly transformed into paddy field. As a result, Lower Burma was changed into one of the most affluent rice bowls in Asia, with more than 10 million acres of paddy field by the 1930s. As U Aye Hlaing points out, the history of economic growth in Burma under British rule was mainly that of the expansion of Lower Burma<sup>5)</sup> ; the economic development can be mostly explained by the remarkable development of agriculture, transport and the rice mill industry in this region.

It is not too much to say that such economic development was caused by the export of various resources like rice, teak, oil products and non-ferrous metals. In the period of the Konbaung dynasty, Burma was generally insulated from its neighbouring countries. It did minimal trade with them, which therefore had little effect on the dynastic economy. For the dynasty, exports were merely the outflow of wealth, which made the country poor. Imports were also discouraged by the heavy levy on goods. Such a closed situation was altered shortly after the colonization of Burma. The British who had got Arakan and Tenasserim with the first Anglo-Burmese war, began to immediately export rice from Arakan and then teak from Moul-

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4) Agriculture in Burma: A Collection of Papers Written by Government Officials for the Royal Commission on Agriculture 1926-28. Rangoon, 1928. pp. 73-74

5) U Aye Hlaing, Trends of Economic Growth of Burma 1870 to 1940. (mimeograph) p. 2

mein, lifting the ban on the trade of all kinds of goods that had been the traditional policy of the Konbaung dynasty. Thus Burma was put in the international division of labour. The economic development in the colonial period was in fact an export-oriented development.

The natural resources of Burma were of course exploited not for a domestic market, but for export. Of them, rice was the most important and largest export, accounting for about two thirds of total exports. As was noted previously, rice export was the major economic incentive on the demand side for the agricultural development of Lower Burma. In effect, it was the dynamic factor of the change. As mentioned above, the first step of the British for the economic development was to open the way for rice export. But, it was after Pegu came under British territory with the second Anglo-Burmese War that Burma began to develop greatly as a rice exporting country. As Lower Burma had a great potentiality for rice cultivation, it was regarded as a promising region for supplying over-populated India with additional foodstuffs.

There was a great increase in rice export in the latter half of the 19th century. Its sustained growth brought about the continual rise in the paddy price, because presumably the situation of excess demand was expected to last for a long time. The paddy price was only Rs. 8 per 100 baskets in 1848, but it jumped to Rs. 40 in 1853. During the second half of the 19th century, the paddy price continued to rise and reached to the level of more than Rs. 100 at the turn of the century, which made rice cultivation lucrative.

In the meantime, a group of brokers who collected paddy from farmers for millers was formed. The buying price which they offered to the farmers stimulated greater rice production. The growing external demand for rice as well as high price of paddy stimulated the production of surplus rice for export, and hence the vast waste land in the Irrawaddy delta was increasingly brought under cultivation. In this way, Burma was developed as one of the major rice-exporting countries, the quantity reaching more than 3 million tons at its peak. In the pre-war period, Burma was the largest rice exporter in the world. The economic development caused by exports created an economic structure that corresponded closely to the needs of export demand. Thus, Burma came to specialise in a few products for export, and such an economy was referred to as 'export economy'.<sup>6)</sup>

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6) *ibid.*, p. 5

Due to the increase in export demand for Burmese rice, there was a quick change from the primitive autarkic economy to a market economy under the framework for the development laid down by the government. Prior to its colonization, in Lower Burma people grew paddy for their own consumption. In other words, there was in effect no demand for surplus rice. However, when the export of rice and other products was commenced by the British, it gave rise to demand for surplus products. Farmers expanded increasingly production for the export market rather than for home consumption. Furnivall called such change the transformation of domestic agriculture to commercial agriculture.<sup>7)</sup> Moreover, dependence on hired labourers was deepened by the expansion in farm size. Thus, classes of landowners, tenants and agricultural labourers were formed.

On account of the growth of a market economy, money was demanded more and more as a means of exchange. As Burma was ruled as part of India, the monetary system of India was introduced to Burma and the Indian currency, the rupee, was brought in and circulated. Meanwhile, a market system where the imbalance between demand and supply was adjusted by the market price gradually took root, which played a role in linking the export demand with the supply of the domestic production. With the gradual formation of a market system, people came to get money by selling their produce at markets and in turn used it there to buy necessary goods. Imported goods also stimulated people's consumption. People produced and bought goods, based on the market price. On the other hand, the production of some local goods, such as textiles, pottery and salt were curbed or replaced by imported goods. To shift to a market economy, people had to be freed from feudal restrictions. The breakdown of the dynastic power contributed to the emancipation of people from social and economic yokes imposed by the Burmese kings. Furthermore, the enactment of laws, the establishment of modern institutions and construction of an infrastructure also contributed to the development of a market economy. In fact, they were the most important work of the colonial government in the early period. Thus, an economy created after the colonization was the economy working on market principles, quite different from the self-sustained economy. Without such a market system, it would have been impossible for export demand to become an actual economic incentive.

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7) Furnivall J. S., *An Introduction to the Political Economy of Burma*. Rangoon, 1957. p. 42

Owing to the growing export demand for Burmese rice, the waste land in the Irrawaddy delta was increasingly brought under cultivation and the production of rice augmented in this way. However, land reclamation at that time was quite labour-intensive; this brought about a great demand for production factors such as labour and capital. In practice, the increase in rice production in this period was caused by bringing more production factors into the production process. In the meanwhile, this led to the formation of markets for the production factors, too. These rises in factor prices were the fundamental causes of the attraction of labourers as well as capital to Lower Burma. This means that people of the society changed to respond to market prices. As a matter of fact, the agricultural development created not only a great number of jobs for labourers but also many opportunities to invest. However, when the British annexed Pegu, the population was relatively small, compared with the great potentiality in the delta for the agricultural development. In fact, a labour shortage was its most serious problem. In the early period, the colonial authorities tried to draw labourers from Upper Burma who were redundant on account of little effective demand. But, they did not come to settle in Lower Burma in such numbers as had been anticipated. Thus, as the labour supply from domestic sources alone could not meet sufficiently the strong demand, the immigration of Indians was encouraged by the government. So, the population in Lower Burma increased rapidly in the latter half of the last century.

Now let us depict the growth of Indian population briefly. The Indian population in Burma in 1861 is estimated to have been about 73 thousand, of whom 18 thousand lived in Pegu. After that the Indian population increased rapidly to 137 thousand by 1872, 568 thousand by 1901 and then more than one million by 1931, while its proportion to the total population for the corresponding years was 4.9 %, 5.4 % and 6.9 % respectively. Most Indian people came to Burma from Bengal and Madras. The larger part of Indians lived in Lower Burma, where their percentage was much higher than the average of the whole of Burma. It rose rapidly from 4.9 % in 1872 to 9.2 % by 1901 and about 11 % in 1921 and 1931. In particular, their share was high in the Pegu Division, namely 6.3 % in 1881 and 15 % in 1911, an increase which can be explained by the Indian population in Rangoon. It is said that one third of Indians who moved to Burma made their way to Rangoon, where more than half population was made up by

**Table 1-1** Total and Indian Population, 1872-1931.

Census	Total Population	Indian Population	Indian Percentage
1872	2,747,148	136,504 (1)	4.9
1881	3,736,771	243,123 (2)	6.5
1891	8,098,014	420,830 (2)	5.1
1901	10,490,624	568,263 (2)	5.4
1911	12,115,217	743,288 (2)	6.1
1921	13,212,192	887,077 (3)	6.7
1931	14,667,146	1,017,825 (3)	6.9

(1) Hindu and Mohamedan populations.

(2) Number returning an Indian language as mother tongue.

(3) Number returning an Indian race.

source) Baxter J., Report on Indian Immigration, p. 5.

them in 1931.<sup>8)</sup> Furnivall says, "We have noticed that from the earliest days of British rule the towns became largely Indian. After the second war this process continued more rapidly."<sup>9)</sup> Thus, they went chiefly to urban areas rather than rural areas and found their jobs mainly in industry, transport, trade, administration and so on. The number of Indian labourers who were engaged in rice cultivation was relatively small. There were many Indians in Arakan who had come from Chittagon and lived there for a long time; they constituted nearly 20 % of the Indian population in Burma. In Upper Burma their percentage was on average only 1 % to 2.5 %, while that of Mandalay was about 4 %.<sup>10)</sup>

As regards capital supply, a considerable part of agricultural credit was provided by Chattiars who came from Madras to Burma. They supplied money to industry and trade, too. Foreign direct investment made mainly by European firms was another major source of capital supply. In addition, foreign banks came and opened branches. They, however, lent money largely to European firms. In this way, the production factors of labour and capital gathered in Lower Burma and as a result the centre of gravity of the economy was shifted from Upper to Lower Burma.

With the increase in rice production, rice mill factories were set up and the transportation system was developed. These were also important fac-

8) Baxter J., Report on Indian Migration. 1941. p. 5

9) Furnivall, op. cit. (Colonial Policy. . . ), p. 53

10) Baxter, op. cit., p. 10

**Table 1-2** Change in the Number of Big Rice Mills, 1861-1930.

	Rangoon	Akyab	Moulmein	Bassein	Twante	Total
1861	1	—	—	—	—	1
1870	17	1	2	—	—	20
1880	28	7	7	7	—	49
1892	25	7	8	8	2	50
1900	42	9	10	8	3	72
1914	56	10	15	15	8	104
1930	44	10	15	15	8	94

source) Grant, J. W., *The Rice Crop in Burma* (Japanese translation, pp. 49-50).

tors which contributed to the economic development of Lower Burma. First we will look into the growth of the rice mill industry and in the next section we will take up the progress of transport.

One of the most important forward linkage effects caused by the increased rice production in Lower Burma would be the marked development of the rice mill industry. European rice millers, who at that time were engaged in trading rather than milling, came to Burma shortly after the first Anglo-Burmese war. Rice mill factories were built in main ports of Rangoon, Bassein and Moulmein after the annexation of Pegu. Twenty rice mills were set up by 1870, most of which were for producing cargo rice which was a mixture of paddy and unhusked rice devised to prevent the deterioration of taste and flavour resulting from long sailing journeys.<sup>11)</sup> In fact, the rice trade was conducted largely in paddy or cargo rice until the 1880s. For example, 80 % of rice exported to Europe was sent in the shape of cargo rice at the beginning of the 1880s. However, it had to be remilled at rice mills in Europe. The shift from sailing vessels to steamers which occurred in the last two decades of the 19th century, coupled with the opening of the Suez Canal made it possible to send rice more quickly and cheaply to Europe. This was another factor which contributed to the progress of the rice mill industry in Burma. Thus numerous large rice mills were set up mainly by European firms. Actually as well as transport, the rice mill industry was one of the most important industries to be invested in by Europeans in the latter half of the 19th century. The rice mill industry grew to

11) U Aye Hlaing, *op. cit.* p. 8 Cheng Siok-Hwa, *The Rice Industry of Burma 1852-1940*. Kuala Lumpur and Singapore, 1968. p. 14



**Table 1-3** The Growth in Numbers of Employees in Factories and Rice Mills, 1870-1938.

Year	Factories	Employees	Rice Mills	Employees	Average No. of Employees per Rice Mill
1870	62	8,000	19	4-5,000	210-263
1880	74	11,750	49	9,500	190-200
1890	—	—	—	—	—
1900	136	20,000	83	—	—
1910	301	45,264	165	—	—
1920	617	90,958	353	36,486	103.4
1921	711	92,585	429	42,063	98
1922	783	88,799	482	38,074	79
1923	855	86,642	529	37,553	71
1924	858	91,210	518	37,525	72.4
1925	893	99,546	543	38,823	71.5
1926	923	100,759	567	41,000	72.3
1927	940	101,350	572	40,300	70.45
1928	968	101,586	606	41,327	68
1929	976	98,077	608	39,645	65.2
1930	980	98,701	613	42,137	68.7
1931	947	90,593	589	41,790	70.9
1932	948	90,578	609	43,254	71
1933	942	86,433	618	41,302	66.8
1934	946	85,829	637	42,555	66.8
1935	965	90,322	647	44,944	69.4
1936	985	89,230	657	42,817	65.2
1937	986	87,652	650	39,990	61.5
1938	1,019	86,352	683	41,564	60.9

source) Spate O. H. K., *Beginnings of Industrialization in Burma*. p. 4.

be the biggest industry in Burma, employing one third to one half of the workers in the industry.

Small mills with a milling capacity of 10 to 75 tons per day were also built around the end of the last century. Rice from these mills was for local demand or sold to exporters. By 1900, there were 27 small mills, all located in the Hanthawaddy district adjoining Rangoon. After that, they spread over the main rice-producing districts in Lower Burma, such as Myanmya,

Pyapon, Henzada, Thaton, Pegu and Thonga.<sup>12)</sup> Many of them were built near the railway stations and piers of river banks. Judging from this, there is no doubt that the progress of transport contributed to their diffusion to the interior of the delta. Most small mills were concentrated in Lower Burma, but they were also set up in Upper Burma, where the number of them increased from 17 in 1914 to 75 by 1930, compared to the increase from 134 to 453 in Lower Burma during the same period. In respect of the racial ownership of small mills, the Burmese were the largest group, followed by the Indian and then the Chinese. The number of them owned by the Burmese was only 10 in 1898, but it increased to more than 300 in the latter half of the 1920s; half of the total rice mills were owned by the Burmese. At first Indians, the next largest group were engaged in rice trading and bought milled rice from European rice millers, but later they proceeded to milling rice, too. They accounted for nearly one fourth of the number of rice mills and one fifth of all workers employed in this industry. The number of rice mills owned by Indians increased greatly from 61 in 1921 to 186 in 1936. Probably, many rice mills run with money borrowed from Indians were transferred to them on account of bankruptcy during the great depression in the early 1930s. Rice mills owned by the Chinese accounted for 10 to 13 % of the total.<sup>13)</sup> However, taking the racial composition of the population of Burma into consideration, the combined share of foreign ownership in rice mills was quite high.

Thus, the rice mill industry of Burma seems to present a dual structure with big mills owned by European firms milling paddy mainly for export and small mills owned by natives, Indians and the Chinese milling it largely for domestic demand. While the average number of workers per mill of the former was nearly 520, that of the latter ranged from 29 in Burmese mills to 55 in Indian mills. The percentage of the former to the total number of rice mills was only 5.43 %, but they accounted for more than 40 % of workers in this industry.<sup>14)</sup> As a matter of fact, the former controlled both the rice mill industry and the marketing system of paddy by playing a leading role.

12) Grant J. W., *The Rice Crop in Burma, Its History, Cultivation, Marketing and Improvement*. (Agriculture Department, Survey no. 17) Rangoon, 1932. Japanese Translation Edition pp. 49-52

13) Cheng, *op. cit.* pp. 82-85

14) Spate O. H. K., *Beginnings of Industrialization in Burma*. (Economics Research Project, Department of Economics and Commerce, University of Rangoon) Rangoon, 1958. p. 8

Powerful European millers formed a kind of combination referred to as the 'Bullinger Pool' in 1921, which as a whole milled a quarter to one third of rice exported from Burma.<sup>15)</sup> They put many small rice mills under their control by financing them. They often oppressed other millers through a pricing policy which bought paddy at a higher price and sold rice at a lower price in the domestic market than other millers could afford. Because the overseas markets were controlled in the main by the Pool, they could recoup a loss in the domestic market by selling rice for export at much higher price.<sup>16)</sup> The rice mill industry was the largest processing industry in Burma, but it was also to a considerable degree in the hands of European firms.

### 3 Progress of transport

As the development of transportation was essential to the agrarian progress in Lower Burma, it is necessary to see it in more detail. Indeed, a huge amount of paddy or rice produced annually in the delta had to be transported promptly and economically for milling and shipment overseas from the inner parts of the delta to the main ports of Rangoon, Moulmein and Bassein and to Upper Burma which suffered from food shortage. Railway constructions were commenced as one of the government's chief public works and river transport was also improved to a great degree mainly due to the foundation of the Irrawaddy Flotilla Company. This, undoubtedly, contributed greatly to the economic development of Lower Burma.

Railway constructions in Burma were carried out not only for economic reasons, but also political and military ones. Needless to say, railway, as well as river transport, was vital to the economic development of Lower Burma, carrying passengers and agricultural products grown in Lower Burma not only in large quantity but also at the low cost. Besides, there were other important political and economic motives for railway construction. For example, one of the important purposes of the first two railways in Burma which were constructed from Rangoon to Prome and Rangoon to Thongoo, was to carry soldiers and arms to garrisons in Thayetmyo and

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15) U Khin Maung Kyi, "Western Enterprise and Economic Development in Burma." *Journal of the Burma Research Society* (June 1970) pp. 35-36, Cheng, *op. cit.* p. 91

16) Interim Report of the Committee Appointed to Enquire into Rice and Paddy Trade Rangoon, 1931. p. 18

Thoungoo as soon as possible.<sup>17)</sup> As a matter of fact, there is no doubt that without a modern transportation system, an effective rule and administration would have been impossible. Furthermore, the railways in Burma were expected to promote the overland trade between British Burma and China. The powerful British Chamber of Commerce of Manchester, Liverpool and Birmingham, that wanted to sell the British cotton goods to China, often applied political pressure to encourage railway construction in the 1860s.<sup>18)</sup>

It was in 1868 that the construction plan was submitted to the Indian government for the first time. Thus, the first railway which costed about Rs. ten million was completed in May 1877. For its construction, a lot of Indian labourers who were damaged by a severe famine that occurred in Bengal in 1874 were employed.<sup>19)</sup> This railway was called the Rangoon and Irrawaddy Valley State Railway. On its completion, a rapid increase in cultivated area was seen in the Hanthawaddy, Tharrawaddy and Prome districts as well as a rise in paddy production and various taxes like land revenue. The economic performance of the company was comparatively good and its current account showed a surplus from the outset, with total receipts of Rs. 970,000 and a total expenditure of Rs. 930,000; this is because it ran in the fertile areas on the left side of the Irrawaddy River.<sup>20)</sup> Another railway route connecting Rangoon with Toungoo was projected. The Government of India demanded an assurance of 4.5 % interest for its capital outlay on the projects; the Chief Commissioner of Burma was obliged to agree to its payment from the budget of the province of Burma as a provincial public project. This railway with a length of 166 miles was completed in 1885 and costed nearly Rs. 13 million.<sup>21)</sup> This was the Rangoon and Sittang Valley State Railway. On the annexation of Upper Burma in 1886, it was extended from Toungoo to Mandalay in a short time. Both railways were in good economic condition, with total net earnings of Rs. 1.5 million in 1887-88. Then the Mu Valley Railway, the third trunk line with 330 miles was constructed, connecting Sagaing with Myi-

17) Nisbet J., *Burma under British Rule and Before*. 2 vols. Westminster, 1901. vol. 2. Chapter 2

18) Maung Shein, *Burma's Transport and Foreign Trade 1885 to 1914*. Rangoon, 1964. p. 41

19) *ibid.*, pp. 41-43

20) *Gazetteer of Burma*. p. 516

21) Maung Shein, *op. cit.* p. 44

tyina. It was completed in 1898, when the total investment in railways amounted to about Rs. 6 million and the mileage reached one thousand miles, almost equal to half of the total mileage constructed during the colonial period.

The railway lines projected and constructed before September 1896 was undertaken by the State. After that, the entire railway system aggregating 834 miles were taken over by the Burma Railways Company.

The constructions were continued actively after the end of the last century and the main lines completed during the period till 1915, are as follows: the 80 mile line from Tazi to Myingyan by way of Meiktila, the line from Sagain to Alon, the line from Henzada to Bassein, the line from Henzada to Kyangin, the 177 mile line from Myohaun to Lashio, and the line from Pegu to Martaban, the line from Thazi to Aungban. Some of them were branch lines or extensions of trunk lines built so far. A railway system of about 1, 582 miles had been built by 1914. It was further increased by 478 miles to more than two thousand miles from 1914 to 1940.

The expansion of railway network had a substantial effect on the economic development of Lower Burma, where road construction was quite insufficient. The railway facilitated the movement of people from Upper Burma and the Shan State and actually transported many labourers to Lower Burma. At first the turnover of passengers was in excess of that of goods, but it was reversed after the turn of the century, with the increase in both paddy production in Lower Burma and the mileage of railway. The quantity of paddy and rice transported by railway followed an upward trend and it reached 600 thousand tons at the beginning of this century and one million by 1910-14, equal to one fifth to one third of the quantity exported from Burma. In addition, it played an important role in conveying foreign goods to the inner parts of Burma.

A rapid expansion of reclaimed land took place in most areas where the railway was newly opened. Paddy production, as well as land revenue, increased with the rise in paddy acreage. As a rule, Paddy produced locally was conveyed in carts to a depot near the railway stations so as to be transported to the main ports. In some areas, small rice mills were also built in the vicinity of stations. Thus, they played a role of a kind of a trade centre in the region. The opening of the railway connected remote areas with the big ports of Rangoon, Bassein and Moulmein and made the rice production there profitable; this undoubtedly resulted in the rapid ex-

pansion of rice acreage and a rise in land price. Thus, agriculture in areas where the production had previously been mainly for home consumption was transformed into a more commercialized market-oriented agriculture with the progress of modern transportation. The railway enlarged areas where rice growing was profitable, and contributed to steering agricultural development towards commercialization, especially in areas without alternative transport.

River transport was probably the most important means for transportation between Upper and Lower Burma in old times; the Irrawaddy River especially running from north to south in the central plain, is thought to have played a crucial role in carrying people and goods between both areas. As it had a number of branches in Lower Burma, its importance was further enhanced with the increase in reclaimed land in the delta after their annexation of Pegu. Although, as has already been seen, railway construction had begun during the 1860s, river transport continued to play a key role in transporting passengers and freight in the colonial period partly because most railway lines were constructed in areas where river transport was not available, partly because "the steamers possessed greater discriminatory power in favour of large consignments and in respect of the different types of goods carried."<sup>22)</sup> In the early colonial period, river transport might have been more important than the railways. Maung Shein points out, "Between 1890-91 and 1896-97, the annual average total volume of trade handled by the steamers was about twice that of the railways."<sup>23)</sup> The importance of the railway, however, was growing more and more owing to the increase in areas brought under cultivation along the railway lines. Andrus states that in 1940-41, "it is probable that total inland water traffic was as great as total rail traffic."<sup>24)</sup> There is no doubt that the importance of river transport had not changed in the colonial period.

Inland river transport was greatly improved and developed by the foundation of the Irrawaddy Flotilla Company, which started on a small scale, but grew quickly to one of the biggest inland water traffic companies in the Far East.<sup>25)</sup> This company, dealing with general transport as well as the riverine mail, was fostered under the protection and aid by the government.

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22) *ibid.*, pp. 101-102

23) *ibid.*, p. 101

24) Andrus J. R., *Burmese Economic Life*. Stanford, 1948. pp. 206-207

25) U Khin Maung Kyi, *op. cit.*, p. 29

In fact, together with the access to flotillas to be disposed of by the government, subsidy was an important cause of the growth of the company. In 1863, the Government of India disposed of a flotilla composed of the vessels, launches and flats acquired by the British company, Todd Findlay and Company. These were all taken over by the newly formed the Irrawaddy Flotilla and Burma Steam Navigation Company in 1865, which was reorganized as the Irrawaddy Flotilla Company with a capital of Rs. 60,000 in 1875.<sup>26)</sup> Although at first the steamer services were confined mainly within the territory of British Burma, they were extended to Upper Burma after the conclusion of the commercial treaty between British Burma and the Konbaung dynasty in 1867, which aimed at facilitating the migration of people from Upper Burma and the trade between both sides. Thus, regular steamer services were established from Rangoon to Mandalay, and shortly after to Bhamo along the Irrawaddy River. Further, other steamer routes were opened from Rangoon to Bassein in 1873 (later extended to Henzada), and from Prome to Thayetmyo in the same year.<sup>27)</sup> Thus, the company built up a monopolistic position in inland river transport in Burma.

It is clear that the company accounted for a considerable share of long inland water traffic in Burma, but in short-distance water transport, small boats or sampans plying creeks must have played an important role; there are no reliable statistics as to the latter.

A remarkable extension of paddy field in the delta was accompanied by the growth of a transport network as well as a rice mill industry. In practice, in the early period, European investments were directed mainly towards for the rice mill industry and transportation. Big rice mills owned by European companies were constructed in the main ports like Rangoon. This was the most important industry in Burma and it absorbed the largest number of factory labourers. With the increase in rice production, the transportation system became essential in order to carry paddy and rice quickly in large amounts from the interior of the delta to ports and Upper Burma. The Irrawaddy Flotilla Company was set up with British capital as a company for inland water transportation and was estimated to control nearly half of the river transport. Railway construction was also started as governmental projects, and contributed to the extension of the rice acreage by making economically possible the rice production in the areas remote

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26) U Khin Maung Kyi, op. cit. p. 29

27) Maung Shein, op. cit. pp.29-30

from main ports and with no river transportation facilities. A lot of job opportunities were created in the rice-trading sector, where many Indians and the Chinese as well as Burmese found jobs. The growth of these industries relating to rice made a substantial impact on the overall economic development.



## Chapter 2

### Land Reclamation in the Irrawaddy Delta

In this chapter, we look into the process of land reclamation in the Irrawaddy delta in more detail; this was central to the economic development of Lower Burma.

#### 1 The progress of land reclamation and the inflow of labourers

When Pegu was annexed to British India in 1852, the Irrawaddy delta was mostly waste land covered with swamp and jungle. The acreage of land under cultivation in Lower Burma including Arakan and Tenasserim at that time was estimated to be in the range of 600,000 to 800,000 acres. In the first two decades after the annexation of Pegu, the pace of the growth of paddy field in the delta was slow or at best moderate. It was certainly not as high as the colonial government had expected, largely due to a labour-shortage; Furnivall states that people from Upper Burma did not come to settle in Lower Burma in such numbers as had been anticipated.<sup>1)</sup> Accordingly, accelerating the inflow of labourers was one of the main early tasks of the colonial government. But the government's measures of attracting the cultivators were less successful in spite of the practice of land tenure systems, the temporary exemption of land revenue or poll tax, and the lowering of the assessment rate of the fallow land and so on.

The acreage of land which was brought under cultivation during the first two decades was only one million acres. The places which were brought under cultivation during this period up to 1872 were Rangoon and Pegu with 262,000 acres, Prome, Henzada and Tharrawaddy with 131,000 acres and the Western Central part of the delta with 80,000 acres.<sup>2)</sup> There were significant reasons why the development of Lower Burma was retarded. They were mainly the shortage of labourers, the physical difficulty of reclamation, the high economic risk, insufficient availability of the transportation and the lack of informations rather than the economic factors on the demand side. In addition to them, there were the various interferences of the kings with the population movement even after the conclusion of the commercial treaty in 1862. Upper Burma was the most important source of

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1) Furnivall, op. cit. (An Introduction. . . ), p. 50

2) Adas, op. cit., p. 10

labour at that time and was still ruled by the Konbaung dynasty. Owing to the above-mentioned causes, people could not or did not move from Upper Burma to the deltaic region in large quantities in spite of the strong demand for labourers. In practice, the labour shortage was the most important obstacle to the agricultural development, because land reclamation of those days was very labour-intensive. Aye Hlaing points out that before 1870 Burma was a labour-scarce and high-wage country.<sup>3)</sup>

In the early stage of development, people could get a piece of land easily by reclaiming the waste land which was very abundant relative to population. As there was little incentive to own it due to its low economic value, they often abandoned it readily and shifted to other places. In these years, most farmers had their own land; in other words cultivating owners were common and general, so few tenants and agricultural labourers existed. Hardiman also points out in his report that there was no class divergence.<sup>4)</sup> But people who worked for landowners as a tenant or agricultural labourers increased gradually. Most people who came from Upper Burma were so poor that at first they were obliged to work the field of their predecessors to earn money rather than going to the jungle directly. However, they could regard this period as the term preparing for becoming a landowner.<sup>5)</sup> The settlement report of Bassein illustrates how an agricultural worker could become a landowner. At first he worked as an agricultural labourer for a few years to buy a pair of cattle and then if he worked a few years more as a tenant, he could buy land. Land rent then was low at usually 10 % of yields plus land revenue, because there was plenty of waste land. Land prices were also low, so tenants could save money easily to buy cattle and a piece of land or to be used for land reclamation. The existence of a vast amount of waste land was a main factor in keeping rents and prices of land cheap. The landowner whose rent was high often could not find tenants. Because there were a lot of job opportunities here and there, labourers moved about in Lower Burma to seek better conditions. The demand for tenants and agricultural labourers was much greater than their supply.

Such a stagnant situation had begun to change with the gradual elimina-

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3) U Aye Hlaing, op. cit., p. 59

4) Hardiman J. P., *Compilation on Tenancy Matters*. Rangoon, 1913. p. 8

5) *Settlement Report Operation in the Bassein and Henzada District, season 1883-84.*

tion of obstacles which hindered economic development. Rice cultivation was getting more profitable due to a rise in the paddy price, because the overseas demand for Burmese rice was increasing. Therefore, without government assistance measures, people managed to come to Lower Burma spontaneously after the 1870s, especially times of drought in Upper Burma, partly because as the ruling power of the Konbaung dynasty was weakening, it could not detain people in Upper Burma. They were actively engaged in clearing the waste land in the delta and growing paddy. In addition to them, numerous Indian labourers flowed into Burma to seek jobs. According to Gazetteer of Burma, there was then an annual population inflow of 80,000 to 100,000 into Lower Burma, about half of them from Upper Burma and the remaining half, from Madras and Chittagon. It is said that about 20,000 people among them settled down in Lower Burma.<sup>6)</sup> In other words, it means that one in four or five immigrants settled there. Thus the number of the population in Lower Burma increased rapidly on account of the inflow of many migrant people. The population there in 1852 was estimated to be about one million, but it increased to more than four million by the turn of the century. Its annual average rate of the population growth was almost equal to 3%. As the immigration of Indian people was encouraged, their number increased quickly from the 1870s. According to census figures, it increased more than 7 fold from 1872 to 1931, reaching nearly one million. They had constituted roughly 10% of the population in Lower Burma in the first three decades of this century.

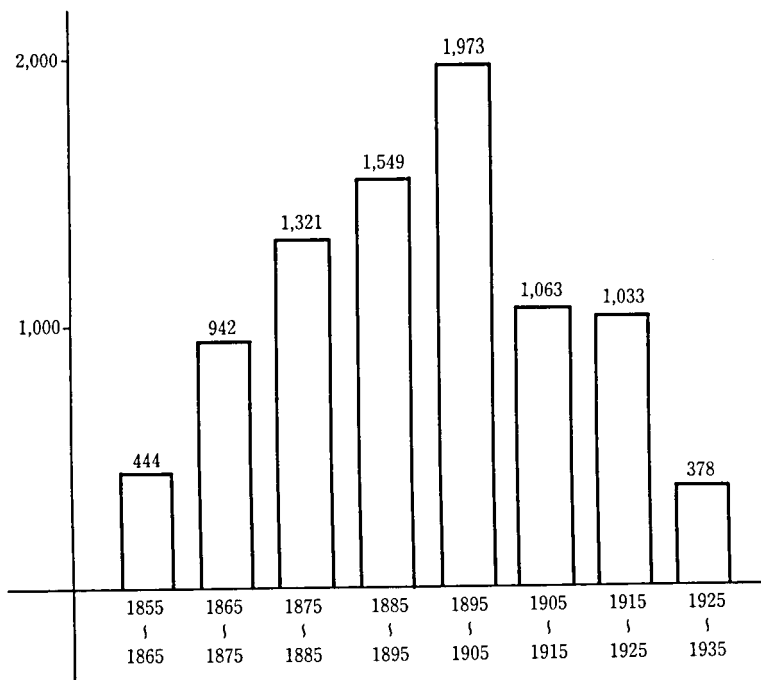
Thus, from the middle of the 1870s the rapid economic development had begun and the acreage of paddy field in Lower Burma increased quickly, reaching more than 6.5 million acres at the turn of the century. The rapid economic growth which occurred from the last quarter of the 19th century to the beginning of this century had never been experienced in the history of Burma. In particular, the turn of the century was a peak of the rapid development. In fact, nearly two million acres of land were developed during the decade from 1895 to 1905. According to Furnivall, this rapid development from the 1870s was attributed to the overall effect of the opening of the Suez Canal in 1869,<sup>7)</sup> but his view might somewhat overestimate its effects. This is because the quantities of rice which were sent to Europe in the 1870s and the first half of the 1880s via the Suez Canal from Burma

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6) Gazetteer of Burma. p. 444

7) Furnivall, op. cit. (An Introduction. . . ), p. 42

**Figure 2-1** Increased Paddy Acreage Every Ten Years in Lower Burma, 1855/65-1925/35. (in thousand acres)



source) This figure was made on the basis of appendix II. A of Cheng Siok-Hwa's book.

were not so large as generally thought.<sup>8)</sup>

As voluntary labourers came into Lower Burma in large quantities, the government policy became more laissez-faire in terms of land development, which left people to settle and reclaim the land freely; there was no necessity for the government to take any special steps to attract labourers. Thus, the land reclamation in Lower Burma advanced in line with the laissez-faire policy. On the other hand, the government enacted the Lower Burma Land and Revenue Act in 1876, which recognized cultivators' private ownership of the land which had been cleared and occupied continuously for the twelve years. Accordingly, anyone who satisfied these conditions could become a landowner. The aim of this law was thought to be the creation of peasant proprietors.

8) U Aye Hlaing, op. cit., pp. 5-6

But although the free character of occupation of land brought about rapid development on the one hand, it widened the differences in the sizes of holdings on the other. Together with small land development by a lot of poor farmers, there was also the development which was done on a large scale by rich landowners and traders. Land cleared by them was rented to tenants. In general, the land rented to tenants began to increase gradually in Lower Burma from the 1880s and the proportion of it to total paddy land there grew to about 20 % by 1900.<sup>9)</sup> Among the districts with a high proportion of rented land were Hanthawaddy, Tharrawaddy, Pegu, Pyapon, Bassein and Maubin.<sup>10)</sup>

The Burma Gazetteer of Pegu District indicates some interesting facts. The larger landlords are either capitalists who find land a profitable investment for money made in trade, moneylending or other occupations, or Chettiars and other moneylenders who have acquired land by mortgage or in payment of debts due by the previous owner. That is to say, it suggests that there are two ways to become a large landowner. One is for capitalists to invest money in land reclamation or purchase; the other is for moneylenders to acquire land through foreclosure. It seems to be doubtless that the number of large landowners increased in this period. The Burma Gazetteer of Pegu District describes that at settlements in 1882-84 there were only 30 persons owning land exceeding 100 acres in any circle, and that in the area resettled by 1899-00 there were 153.<sup>11)</sup> The increase in their number was seen chiefly in the newly developed tracts in the Payagale township.<sup>12)</sup> The fact that most large landowners were found in newly developed tracts shows that they became the landowners by investing in land. They could raise enough money to make big investments possible; partly from their savings, partly by borrowing. As rents began to rise, investment in land became more active.

Irrespective of whether it be capitalists or small farmers, land development and rice cultivation to a significant degree depended on the borrowing. It was Indian Chettiars and other moneylenders, traders and landowners who chiefly lent money to them. The Gazetteer of Burma of Insein District points out that agricultural indebtedness had been already common

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9) Nisbet, *op. cit.*, p. 279

10) Hardiman, *op. cit.*, 1-69

11) Pegu District (Burma Gazetteer). Rangoon, 1917. vol. A p. 64

12) *ibid.*, p. 64

in 1882-84.<sup>13)</sup> Indebtedness was the most important factor in cultivators' loss of their land; this will be discussed later. However, as the agriculture in Lower Burma grew strongly due to the firm export demand for rice, the problems eased. Nevertheless, after the 1900s, the transfer of land owned by cultivators to non-agriculturists such as moneylenders and traders was becoming conspicuous. Part of the land accumulated by them was rented to tenants. This is another reason for the increase in rented land. The proportion of rented land to total agricultural land in Lower Burma rose to 30 % around 1910 and then to 50 % in 1931.

It was said that the most fundamental agricultural policy of the government in colonial times was to create farming by cultivating owners. Nevertheless, the reality proceeded reversely. The percentage of them to the total cultivators in Lower Burma decreased almost consistently to 30 % by the beginning of the 1930s. The Census Report of 1911 deduced the following four general conclusions about land tenure<sup>14)</sup> ; (1) that peasant-proprietorship, or cultivating ownership, is the normal method of cultivation in Burma, there being approximately three quarters of the cultivators, in the portions of the province unaffected by extensions, who cultivate their own holdings, (2) that rapid extensions of cultivation in the delta districts, and the financial conditions accompanying such extensions, tended to the creation of a system of landlord and tenant, the extended cultivation passing largely into the hands of the persons who provided the capital, rather than to the agriculturists who actually effected the transformation of waste areas into cultivated land, (3) that the measure adopted to check the development of the system of landlord and tenant; viz., the prohibition of the transfer of recently extended land, tended also to check the rapidity of extension, (4) that the establishment of a peasant-proprietory on waste land, and rapid extensions of cultivation, are mutually incompatible. Thus, the system of landlord and tenant evolved centrally in the Irrawaddy delta, where in fact the percentage of cultivating owners was relatively low, and conversely that of tenants was relatively high. For example, the proportion of cultivating owners to tenants in the Irrawaddy and Pegu divisions where rapid extensions had taken place was only 1.6 and 1.8 respectively, while that of rest of Province was three.<sup>15)</sup> This tendency continued. Table 2-1 illustrates

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13) Insein District (Burma Gazetteer). Rangoon, 1914. vol. A p. 72-73

14) Census of Burma 1911. p. 314

15) *ibid.*, p. 314

**Table 2-1** Male Workers in Agriculture Proper, 1921 and 1931.

Class of Agriculturist	Actual number (in thousand)		Percent	
	1931	1921	1931	1921
Cultivating owner ...	927	1,166	36.9	50.7
Tenant cultivator ...	578	512	23.0	22.3
Agricultural labourer ...	1,007	622	40.1	27.1
Total ...	2,512	2,300	100	100

source) Census of Burma 1931., p. 130.

that the number of cultivating owners decreased, but that of tenants and agricultural labourers increased during the decade starting from 1921. Similarly, the acreage of land cultivated by tenants increased by 25 % from 4.2 million acres in 1924 to 5.26 million acres in 1931.<sup>16)</sup>

## 2 Agricultural problems seen in the main rice-growing districts

As just mentioned above, the period of the turn of the century was the peak of reclamation rush. But after the second half of the 1900s, the rate of increase in paddy land began to decline. For example, while the annual average growth rate of paddy land was 4.4 % during the last three decades of the 19th century, it declined to 1.1 % from 1900 to 1930.<sup>17)</sup> The acreage of expanded paddy field during the two decades from 1905 to 1925 was about one million acres in comparison to nearly 2 million during the decade from 1895-1905. This decline was caused partly because most of the available fertile land in Lower Burma had already been taken up by this time, and partly because though the quantity of exported rice, with fluctuations, was still following an upward trend, from about 2 million tons in 1905 to 3 million tons in 1930, the growth rate of export demand slowed down. This was accompanied by the various agricultural problems. Next we will consider them by looking at a few main rice-producing districts in Lower Burma.

16) Census of Burma 1931. p. 130

17) Nishizawa N., "shimo-biruma ni okeru furontia no genshou to noumin no hinkyuuka" (shakai bunka kenkyuu, hiroshimadaigaku sougoukagakubu kiyou, vol. 10 1984, in Japanese) p. 165

## Henzada district

The Henzada district is located in the upper part of the Irrawaddy delta, so it was often chosen as the first place to be settled by the immigrants from Upper Burma. Accordingly, the landowner-tenant relationship was seen earliest. For example, in 1884-85 the percentage of tenants and rented land was 31 % and 24 % respectively. The latter figure reached 31 % in 1899-1901 and 38 % in 1912-14. The average area of rented land was 8.73 acres, smaller in comparison to the other main rice-producing districts in Lower Burma. As a matter of fact, Henzada was the district with the highest population density.<sup>18)</sup>

In the Henzada district, the customary level of rent was still seen in the middle of the 1880s, but rents had risen by the turn of the century, earlier than in Pegu and Bassein. By this time, the average rent increased by about 80 % from Rs. 4.62 to Rs. 8.31 in terms of monetary conversion mainly because of the rise in the rent rate. The settlement officer indicates the following points regarding to rising rents in 1899-1900:<sup>19)</sup>

- (1) General absence of the tithe principle of rent, except in the poorest land or among relations
- (2) Fixation of rents without any apparent recognized principle of proportion of rent to outturn
- (3) A general custom of enhancing rents when there is competition between would-be tenants and the tenant in occupation
- (4) A fairly general, though by no means universal, system of rebates when the crops fall short

Judging from the above points, the rising trend of rent was apparently a common phenomenon in the Henzada district by around 1900.

The rise in land prices was also seen earlier than in other districts. It was Rs. 12.5 per acre at the beginning of the 1880s in comparison to only Rs. 2 to 10 in Pegu where land, it was said, had little market value. It rose to Rs. 28.83 by 1899-1901 and more than Rs. 100 by 1912-14.<sup>20)</sup>

The early and rapid rise in land price suggests that the room for extensive expansion of land in Henzada had been exhausted at an early stage, and this exerted considerable influence on population movement, too. The number of immigrants to the district was 46,881 in 1901, decreasing to

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18) Henzada District (Burma Gazetteer). Rangoon, 1915. vol. A p. 76

19) *ibid.*, p. 76

20) *ibid.*, p. 77



38,836 in 1901. This is undoubtedly owing to the decline of the capacity to absorb the immigrants from Upper Burma, mainly caused by the decrease in frontier lands. Moreover, though the number of immigrants outnumbered that of emigrants in 1901, the latter exceeded the former in 1911 by a slight margin. And among emigrants, the number of persons returning to Upper Burma increased in contrast to the earlier trend. The Burma Gazetteer of Henzada District states that it was probable that many settlers from Upper Burma regarded it as beneficial to return to their own district. Lower Burma which had attracted a great many of labourers, gradually lost its absorptive power after the turn of the century with the diminution of the good land suitable for rice cultivation.<sup>21)</sup>

### **Pegu district**

Pegu was one of the districts which were developed most actively from the middle of the 19th century. The acreage of paddy land had reached 713,000 acres by 1901-02, and still increased thereafter to 862,000 by 1910-11 despite the slow rate of the growth, when it was said that there was very little land left worth occupying, as 90 % of the cultivable land had been taken and only inferior land prone to floods remained.<sup>22)</sup> Thus, Pegu was developed earlier and the class divergence between landowners and tenants was also seen. The increase in acreage of rented land was accelerated after the beginning of this century. It rose by about 100,000 acres or 33.6 % from 295,000 acres in 1903-04 to 395,000 acres in 1910-11. The level of rented land to total agricultural land in this district was 30 % at the end of the last century, while the average of the whole of Lower Burma was still 20 % as mentioned before. It rose to 45 % in consequence of a remarkable increase in rented land in the 1900s.<sup>23)</sup>

This was accompanied by the high mobility of land, and plenty of land was always put up for sale. For example, the cumulative total of land which was sold during the period from 1903-04 to 1910-11 amounted to 525,000 acres. This means that on average about 7 % of paddy land in the Pegu district was put up for sale annually. During this time, the land price rose from Rs. 30 to Rs. 47,<sup>24)</sup> indicating that the demand for land was still

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21) *ibid.*, pp. 32-33

22) Pegu District (Burma Gazetteer). p. 57

23) *ibid.*, p. 61

24) *ibid.*, p. 58

**Table 2-2(A)** Area Occupied and Rented (Pegu), 1903/04-1910/11.

(acre)

Year	Area occupied	Area at full rents	Percentage (%)
1903-04 ...	814, 249	295, 503	36
1904-05 ...	840, 603	278, 730	33
1905-06 ...	867, 579	299, 751	35
1906-07 ...	889, 222	330, 946	37
1907-08 ...	911, 423	346, 203	38
1908-09 ...	923, 052	374, 218	41
1909-10 ...	865, 159	342, 787	40
1910-11 ...	871, 774	394, 758	45

**Table 2-2(B)** Area Sold and Average Land Price (Pegu), 1903/04-1910/11.

Year	Area sold (acre)	Average price in rupees
1903-04 ...	65, 534	30
1904-05 ...	72, 605	34
1905-06 ...	72, 860	40
1906-07 ...	73, 653	41
1907-08 ...	79, 631	45
1908-09 ...	61, 235	46
1909-10 ...	51, 512	44
1910-11 ...	47, 913	47

**Table 2-2(C)** Area Occupied by Agriculturists and Non-agriculturists (Pegu), 1903/04-1910/11.

(thousand acres)

Year	Agriculturists	Non-agriculturists	
		Resident	Non-resident
1903-04 ...	620	30	95
1904-05 ...	654	35	152
1905-06 ...	673	36	159
1906-07 ...	672	36	181
1907-08 ...	672	38	202
1908-09 ...	672	42	209
1909-10 ...	616	43	207
1910-11 ...	636	49	187

source) Pegu District (Burma Gazetteer)., pp. 58, 61, 65.

strong in spite of the fact that land was approaching the limit of its extension. The high mobility of land had a close relationship with class divergence. On the one hand the marginal farmers lost their holdings more and more, on the other hand moneylenders, rich landowners and traders increased their holdings by adding and accumulating land owned previously by others. Therefore, the number of larger landowners with land exceeding 100 acres increased in the Pegu district. In particular, the increase in holdings of non-agriculturists was remarkable. In the same period, their areas almost doubled from 125,000 acres to 236,000 acres, while those held by agriculturists saw little change. As a result, the percentage of areas held by non-agriculturists to total areas in this district rose substantially from 16.8 % to 27.1 %.<sup>25)</sup>

Rents also went up. In this district in the first half of the 1880s they were in general one tenth of the estimated or actual produce plus revenue. 70 % of tenants paid both rent and revenue, while 25 % of them paid only revenue and 5 %, only rent. However, rent rose to 25 % of the outturn in 1898-1900; furthermore it climbed to between 33 % and 40 % at the beginning of the 1910s, though revenue was incurred by the landlords.<sup>26)</sup>

### **Bassein district**

Bassein, in addition to Rangoon, was also one of the main ports for rice export. The effects of export demand were reflected immediately on the paddy price. It was only Rs. 8 in 1848-49 when, it was said, there was little economic incentive to produce more paddy than was necessary for home consumption.<sup>27)</sup> But after the annexation, it climbed to Rs. 35 in 1853, that was an inducement enough to attract labourers from Upper Burma. The cultivated area increased steadily from 135,000 acres in 1856 to 276,000 acres in 1876-77 and 403,000 acres in 1894. It continued to grow after the turn of the century, reaching 700,000 acres in 1913-14, when there was no room for the further expansion except flooded areas. However, the annual average growth rate between 1901-02 and 1910-11 dropped to 1.7 %.<sup>28)</sup>

It is estimated that the percentage of paddy land held by tenants was on average about 20 %, with regional variations of this figure, at the beginning

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25) *ibid.*, p. 65

26) *ibid.*, p. 61

27) Bassein District (Burma Gazetteer). Rangoon, 1916. vol. A p. 32

28) *ibid.*, p. 32

of the 1880s. It increased substantially from the 1880s to the first half of the 1910s. For example, it rose from 25 % to 40 % during this period in the earlier developed central and northern parts of Bassein and from 14 % to 29 % in the relatively late developed southern part. It is doubtless that there was a significant increase in rented land in the first decade of this century. The Burma Gazetteer of Bassein District also points out that there had been a large regular tenant class.<sup>29)</sup>

The liquidity of tenants was also quite high in the Bassein district. The percentage of tenants who stayed in the same plot for more than five years was only 9.62 % in the central and northern parts and 5.3 % in the southern part of the district. However, it was much higher than in Pegu district; this perhaps may attribute to the fact that the existence of the vast waste land in the southern portion of the district made it possible for them to become pioneer farmers. But the position of tenants began to get worse from around the turn of the century, because both land prices and tenant rates increased markedly. For example, in the Ngaputaw township land prices almost doubled from Rs. 63 in 1897-98 to Rs. 13.94 in 1912-13.<sup>30)</sup> The Burma Gazetteer of Bassein District points out the following three reasons as its cause: the rise in paddy price, the little remaining good land and the scrambling for land due to speculation.<sup>31)</sup> As tenants often bought land from Chettiers or others on credit or on borrowed capital, the rise in land price made it difficult for them to buy. In addition, the demand for tenants was decreasing, as the expansion rate of paddy land slowed down. Undoubtedly it strengthened the position of landowners. They were able to choose people who could pay the highest rent, because of the rented land became more competitive among them. In fact, the rise in land rent was considerable. Though the customary rent of 10 % of outturn plus revenue was general in the Bassein district in the latter half of the 19th century, it had disappeared completely by the beginning of the 1910s. As the Burma Gazetteer states, the uncertainty of tenancy was prevalent.<sup>32)</sup>

We have seen by reviewing the agriculture of a few main rice-producing districts that the pace of development slowed down and rented land increased considerably after the beginning of this century, and that both land

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29) *ibid.*, p. 50

30) *ibid.*, pp. 51-52, 54

31) *ibid.*, p. 53

32) *ibid.*, p. 51

prices and rents rose markedly. These phenomena were closely related to the shrinking of an available frontier. Adas says, "In the first decade of the twentieth century, however, the limits to the extension of rice cultivation were reached in most areas of the Delta."<sup>33</sup>) Thus the growth rate of reclaimed land fell. As mentioned before, the annual average increase in paddy land in Lower Burma decreased to nearly 1% during the 30 years after 1900, which was less than a quarter of that in the previous three decades. But most land reclaimed after that was inferior one prone to floods; this was another factor in slowing the development.

It was land price that responded most sensitively to the decrease in a frontier. In fact, the rise in land price was caused partly because most good land had been already taken up by the first half of the 1910s, and partly because the demand for it was nevertheless still very strong due to the firm export demand for rice. More land therefore had to be brought under cultivation. Using market terminology, the rise in land price may be explained by the shift of its supply curve to the left, while the demand curve remained constant or shifted to the right. As land was a safe and secure investment in Burma, the rise in land price accelerated not only investment in land, but also speculation by capitalists. On the other hand, however, it made it more difficult for both tenants and agricultural labourers to buy land.

The increase in the rented area was also one of the striking peculiarities seen during this period. The Revision Settlement Report of Hanthawaddy states, "The growth of a class of non-agricultural landowners who regard the land primarily as a means of investment for their money, and the increase in number of large estates, has been necessarily accompanied by a very considerable increase in the rented area."<sup>34</sup>) As already discussed before, this increase was attributed to both the large-scale development of land by capitalists including landowners, traders and moneylenders, and the acquisition of it by non-agriculturists through the foreclosure of mortgaged land. In particular, the latter became more conspicuous after the first decade of this century. This may suggest that the economic circumstances around the marginal cultivators and tenants were getting worse.

As well as land price, land rent also went up considerably. As land reclamation was labour-intensive, the decline in the rate of increase would

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33) Adas, *op. cit.*, p. 128

34) Hardiman, *op. cit.*, p. 8

reduced the demand for labourers. In Henzada, which had had a net inflow of labourers previously, emigrants surpassed immigrants in 1911. Lower Burma, therefore, could not attract so many labourers as before. Such a situation strengthened the position of landowners against tenants. It had been difficult for landowners to raise rent while labour was insufficient relative to land, as was the case in Burma until the 1870s, because tenants could take up fresh land on the frontier if rent was too high for them. For this reason it had been kept low in most parts of Lower Burma in the latter half of the 19th century. With the transition from excess demand for labour to excess supply of it, the competition for tenancies became keener, which made it easier for landowners to increase rent. In fact, in such circumstances they could select the tenant who would pay the most.

It is thought that the rise in rent had the effect of furthering the investment of capitalists in land by raising the so-called marginal efficiency of investment. In fact, it was more active and larger estates were seen in the areas where rent was relatively high. This can be verified in the Settlement Report of Southern Hanthawaddy. Table 2-3 shows the percentage of area occupied by owners, tenants and agents by townships. We can see from this table that the percentage of area cultivated by tenants is high in the townships of Thonga, Kayan and Kyauktan, while comparatively low in the townships of Twante, Kungyangon (deltaic) and Kaunggyangon (upland). The proportion of area occupied by holdings over 100 acres is high ranging from 37 % to 47 % in the townships of Thongwa, Kayan and Kyauktan where the share of area cultivated by tenants is also high. On the contrary, smaller estates are relatively numerous in Twante and Kungyangon (upland), where cultivation by owners is dominant.<sup>35)</sup> Generally speaking, the larger estates develop, the higher the percentage of rented land. The Report states, "According to these statistics (annual Land Records), the average rent rate in 1898-99, for the whole of the present settlement area, was Rs. 9 per acre. The rent rate was highest in Thongwa where it amounted to Rs. 10 per acre, and lowest in Kungyangon where it was only Rs. 7. In 1908-09 the average rent rate according to the same statistics was Rs. 13 per acre, ranging from Rs. 15 in the Thongwa township to Rs. 12 in the Twante and Kungyangon townships."<sup>36)</sup> Therefore, we can infer from this statement that large estates developed most where rent was high.

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35) *ibid.*, p. 7

36) *ibid.*, p. 9

**Table 2-3(A)** Percentage of Occupied Area Cultivated by Owners, Tenants and Agents by Townships (Hanthawaddy). (%)

.....	Twante	Kungyan-gôn (deltaic)	Kungyan-gôn (upland)	Kyauktan	Thôngwa	Kayan	Whole area
Owners ...	57	46	53	35	22	30	38
Tenants ...	38	49	43	61	72	67	57
Agents ...	5	5	4	4	6	3	5

**Table 2-3(B)** Distribution of the Occupied Area according to the Size of the Holdings by Townships (Hanthawaddy). (%)

.....	Twante	Kungyan-gôn (deltaic)	Kungyan-gôn (upland)	Kyauktan	Thôngwa	Kayan
Holdings from 5-20 acres ...	12	6	32	4	4	3
Holdings from 21-40 acres ...	28	17	35	12	12	10
Holdings from 41-60 acres ...	18	18	14	17	14	14
Holdings from 61-100 acres...	19	22	11	25	23	27
Holdings over 100 acres...	23	37	8	42	47	37

source) Hardiman J. P., Compilation on Tenancy Matters. p. 7.

Thus the rise in rent was undoubtedly a factor in promoting investment in land.

Although the rise in land price and rent surely accelerated investment by wealthy landowners, traders and moneylenders, it had another effect on tenants and agricultural labourers. It undoubtedly put pressure upon their living standards; while land available for reclamation was abundant and its price was kept low, it could be acquired easily, but as the price went up, this became more difficult. Thus, it reduced the possibility of them becoming owner farmers. The rise in rent therefore was a major cause of the deterioration of their life. It undoubtedly widened the difference of landowners and tenants in this respect.

### 3 Capital supply and agricultural indebtedness

#### Capital supply to the agricultural sector

The development of waste land in the Irrawaddy delta was mainly dependent on a number of poor farmers who came from Upper Burma. The costs

to reclaim and till the land were a burden for them because they came to Lower Burma with little money. These costs were financed from two sources; one was money saved by working an other's land as a tenant or an agricultural labourer, the other was the money to be borrowed from moneylenders and so on. In general, it seems that with the exception of pioneers, most of these farmers worked for others to earn money. As the land in the delta was reclaimed extensively from the 1870s, so the demand for money to be spent on its development increased greatly. The more lucrative rice cultivation became on account of the rise in paddy price, the more active people became in reclaiming land using the borrowed money. Consequently the number of capitalists developing land on a large scale with the purpose of renting it increased. This development of the delta therefore involved not only most cultivators but also large developers in indebtedness. Agricultural indebtedness was a common phenomenon in the delta by the turn of the century.

Moneylenders, traders and landowners lent money to meet this growing demand. Cultivators were forced to borrow from such informal lenders, because money lent at low interest by the government or public institutions and cooperatives was hardly available. Chettiars, hereditary moneylenders from India, came to Lower Burma in the 1870s when the rapid economic growth started and then spread over the delta. After the annexation of Upper Burma in 1886, they reached Mandalay, Myingyan and Shwebo and had started business in most of the major towns there by the turn of the century. The number of Chettiar firms was estimated to be 350 in 1910 and 1650 in 1930. However their businesses remained most common in Lower Burma, especially Rangoon.<sup>37)</sup>

The most important sector for Chettiars was the agricultural sector, which accounted for two thirds of the Chettiars' lending. According to the Report of the Burma Provincial Banking Enquiry Committee, the total indebtedness of the agricultural sector in Lower Burma as of the end of the 1920s was in the range of Rs. 500 million to Rs. 600 million, nearly two thirds of which was estimated to have been borrowed from Chettiars.<sup>38)</sup> They extended not only short-term credits, called crop loans for yearly cultivation, but also medium and long term credits to buy or develop land

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37) Report on the Burma Provincial Banking Enquiry Committee, 1929-30. Rangoon, 1930. vol. 1 p. 204

38) *ibid.*, p. 53



or to consolidate permanent indebtedness. They lent money exclusively to wealthy landowners, major farmers and traders. More than half of the total crop loan was extended by Chettiars, amounting to Rs. 100 million to Rs. 120 million annually in the latter half of the 1920s. Besides the agriculture sector, they also extended loans to the industrial and trade sectors. There is no doubt that a considerable part of the money invested in the development of Lower Burma was supplied by Chettiars.

The remaining funds needed for the agricultural development of Lower Burma was supplied by traders, landowners and moneylenders other than Chettiars. They lent money mainly to small farmers, poor tenants and agricultural labourers who were excluded from the Chettiars' business. In fact, quite often landowners lent money to their own tenants and agricultural labourers; money which they had sometimes borrowed from Chettiars. Traders were other important suppliers of credit. Many Burmese traders started their life as a farmer and accumulated capital through agriculture. Some of them lived in towns and were engaged in trade and moneylending, at the same time earning rent from their own land. Generally speaking, the sums they lent were also small, compared to those of Chettiars. This category of traders included many Indians other than Chettiars, and the Chinese.

The amount of money for agricultural development lent by the government, cooperatives and European banks was very limited. Taking crop loans for example, the annual amount the government made in the ten years from 1919 to 1929 averaged only Rs. 1.9 million, while the total annual amount of crops loans was nearly Rs. 200 million in the latter half of the 1920s. The most successful cooperative bank in the Pegu district provided only about 2 % of all the crop-loans of the district. Most European banks did not extend straight loans to cultivators with the exception of Dawsons Bank, whose amount was Rs. 2.5 million annually. The Imperial Bank of India provided money only for cooperatives and Chettiars.<sup>39)</sup>

### **Indebtedness in the Irrawaddy Division**

We have already pointed out that not only had landowners, tenants and agricultural labourers become separate classes, but also the differences in the size of their holdings had been to widen to a significant degree since the end of the previous century. In addition to small and medium-sized

39) *ibid.*, pp. 69-71

farmers, many larger farmers with holdings exceeding 100 acres came to the fore. Now we will look into the differences in their borrowing patterns according to the government report which investigated the agricultural indebtedness of five tracts in the Irrawaddy Division.<sup>40)</sup> The following statements and data were selected mainly from tract IV.

Purposes for borrowing: The report states that most tenants were indebted, but bigger farmers depended less on borrowed money than small farmers. There was wide gap in the size of the debts owned by big farmers and small farmers. For example, the average debt of the former was Rs. 1800, while that of the latter was only Rs. 225. This shows then, that the size of debt may not indicate their degree of poverty, but their borrowing capacity. In addition, striking differences in their reasons for borrowing can be seen. Three quarters of tenants' borrowed money was for current expenditure, namely yearly cultivation and cost of living including wages for agricultural labourers. This expenditure for the small, middle-sized and big farmers constituted 42 %, 24 % and 11 % respectively. In general, tenants

**Table 2-4** Purposes of borrowing.

(Rs.)

Purposes of borrowing	Small owners		Yeoman farmers*		Large owners*		Tenants	
	debt	Per cent	debt	Per cent	debt	per cent	debt	per cent
Annual expenses of living and cultivation	13,030	42	38,510	24	10,950	12	18,403	75
Productive agricultural purposes	8,005	25	62,500	39	54,950	64	3,365	13
Agricultural deterioration	4,140	13	25,085	15	1,300	1	2,175	11
Personal and religious, expenses etc.	1,620	5	3,340	2	800	1	450	1
Productive non-agricultural purposes	325	1	8,165	5	3,200	3	—	—
Non-agricultural deterioration	3,900	12	16,150	10	12,400	14	170	—
Unclassed	—	—	4,100	3	—	—	—	—

Small owner—under 25 acres of holdings.

Yeoman farmers—between 25 to 100 acres of holdings.

Large owner—over 100 acres of holdings.

\* For yeoman farmers and large owners the figures are those for Tract V.

source) Report on Indebtedness in the Irrawaddy Division (RIID), pp. 24-26, 31-32.

40) Report on the Indebtedness in the Irrawaddy Division. Rangoon, 1910.

and small farmers were heavily dependent on borrowed money for even usual living and yearly cultivation, because, as a rule, nothing was left over after using their agricultural income to pay other costs. They therefore must have borrowed money repeatedly when the following agricultural season started. On the other hand, the larger their holdings, the larger their borrowing for investment. The percentage of big farmers' borrowing for investment was 64 %, while that of tenants, small and middle-sized farmers was 13 %, 25 % and 39 % respectively. Big farmers might become larger by investing borrowed money in buying land or reclaiming fresh land.

There were also large differences in the revenue of each group. The revenue of tenants was Rs. 563.33, while that of big farmers was Rs. 2927.10. The most important factor to bring about such differences was undoubtedly the size of holdings. The average acreage of land held by small, middle-sized and big farmers was 16.8 acres, 46.6 acres and 210.82 acres respectively. Such differences led to those of income. While the agricultural revenue of tenants and small farmers was Rs. 374.3 and Rs. 549.76, that of middle-sized and big farmers was Rs. 1069.88 and Rs. 2429.10. Borrowed money for cultivation and living costs as a percentage of the total revenue of tenants and small farmers was 30 % and 21 %, while that of middle-sized and big farmers was about 15 %. Although middle-sized and big farmers borrowed larger amounts than tenants and small farmers, its percentage against total revenue was rather lower since their agricultural revenue was higher.

The peculiarities of expenditure by type of farmer are also shown in Table 2-5. The expenditure of big farmers was about Rs. 2660, almost five times that of the tenants and four times that of small farmers. Great differences can be seen in cash expenditure, partly because big farmers generally spent a considerable amount of money on hired agricultural labourers. In addition, the amount of interest big farmers paid on outstanding debts was quite high compared to others. While the interest rate on loans for tenants and small farmers was 35 % and 30 %, for middle-sized and big farmers it was 25 %. There is no doubt that big farmers could have taken away loans at low interest mainly for investment in agricultural expansion on account of their high credibility.

Most farmers borrowed money for cultivation and living costs from three groups; moneylenders, traders and agriculturists. Two of these then were non-agriculturists. Almost all agriculturists were indigenous people. As well

Table 2-5 Income and Revenue.

(Rs.)

		Small owners	Yeoman Farmers	Large owners	Tenants
Income	Sale of paddy at Rs. 100 per 100 baskets	549.76	1069.38	2429.10	374.30
	Cash	29.13	11.73	60.00	20.30
	Loans for annual expenses	155.11	205.97	438.00	168.84
	Total	734.00	1287.58	2927.10	563.44
Expenditure	Home consumption of paddy at Rs. 100 per 100 baskets	116.27	193.11	207.62	110.06
	Cash	145.67	243.06	759.33	123.32
	Interest on outstanding loans at 25 percent	32.40	81.43	594.00	8.44
	Repaid	149.52	423.91	484.00	190.87
	Interest at 25 percent on repaid amount	44.85	108.22	121.00	66.80
	Cooly hire paid in cash	61.50	142.26	493.95	—
	Total	550.21	1,200.90	2659.90	499.49

source) RIID., pp. 24-26, 32.

as the Burmese, many Indians and the Chinese were engaged in the money-lending business. As mentioned already, Chettiars were the largest group in terms of the amounts. Table 2-6 shows which source each farmer borrowed money from. Big farmers borrowed exclusively from Chettiars and about two thirds of the middle-sized farmers' loans came from the same source. On the other hand, while tenants borrowed only 12 % of their loans from them, nevertheless most mortgages were taken from Chettiars. In other words, the chief clients of the Chettiars were farmers with high credibility who could offer large mortgages as security. The Chettiars' loans were less risky, because they usually took their client's land as security. That might be the main reason for their rates of interest being lower than other lenders. Thus, while middle and big farmers borrowed money mainly from Chettiars, tenants and small farmers with less credibility largely depended upon traders and agriculturists with whom they may have had a more individual relationship. For example, it was often observed in Burmese villages that the landowner lent money to his own tenants. The percentage of money borrowed from the lenders besides Chettiars was 88

**Table 2-6 Sources of Loans.**

(%)

	Small Owners		Yeoman Farmers		Large Owners		Tenants	
	All debts	Secured debts	All debts	Secured debts	All debts	Secured debts	All debts	Secured debts
Chettians	41	46	61	61	100	100	12	72
Burman traders	20	14	18	22	—	—	46	22
Chinese traders	8	9	2	2	—	—	7	—
Native Indian traders	2	—	5	6	—	—	—	—
Burman money-lending agriculturists	4	9	2	3	—	—	6	—
Burman cultivators	25	20	8	5	—	—	26	2

source) RIID., p. 27.

% for tenants and 59 % for small farmers. In particular, tenants were mainly dependent on Burmese traders for their loans.

In Pyapon, the amount that Chettians and Burmese traders lent was Rs. 220 thousand and Rs. 97 thousand respectively, while that lent by agriculturists was only Rs. 65 thousand. More than 80 % of total loans was provided by the non-agriculturists. These lending patterns might explain why so much land was gradually transferred to non-agriculturists after the beginning of this century.

Thus, the non-agriculturists such as Chettians and traders played an important part in lending money to cultivators and capitalists. On the one hand, it was a factor which brought about the rapid growth of reclaimed land in Lower Burma, but on the other led directly to the cultivators' loss of their land. When cultivators failed to repay their debts for some reason, the land put up as security was immediately taken by them. Burmese cultivators who were not accustomed to the modern commercial practice often became the moneylenders' victims.

The following is the result of the investigation conducted in the tract already mentioned in this report. The acreage of land in that tract increased by 53 % from 9,930 acres to 13,673 acres in 17 years, roughly one third of which, 4,813 acres, was held by non-agriculturists. About 80 % or 3,821 acres of the 4,813 acres were transferred from agriculturists to non-agriculturists during the period. As a result, the acreage of land held by non-agriculturists increased five-fold over the same time. Chettians held

1,123 acres or a quarter of the total land held by non-agriculturists. They largely acquired land damaged by floods and cyclones from cultivators who were unable to repay their debts. This land was then usually put up for sale, because holding land was not necessarily the ultimate aim of Chettiers. The report pointed out a case when the Chettiers sold some land to a Maubin trader, which they had obtained from a farmer who failed in a business speculation. In fact, shifts of land ownership from cultivators to non-agriculturists often occurred in areas prone to flooding, one of the major causes of the deterioration of the economic condition of cultivators in Lower Burma.

Next we will examine this problem over the whole of Lower Burma.

#### **4 Transfer of land from cultivators to non-agriculturists**

One of the most serious agricultural problems in colonial times was the transfer of land from actual cultivators to non-agriculturists such as moneylenders and traders. This had already been seen in the 1880s, but from the turn of the century it developed into a serious social problem in Lower Burma. There is no doubt that agricultural credit played a key role in the transfer of land from cultivators to non-agriculturists. They fell into default for numerous economic and non-economic reasons, such as a fall of paddy price, drought, floods, failure of speculation, death of draught animals, their own sickness, death or gambling debts, any of which might cause them to lose their land through a foreclosure.

As a rule, cultivators were liable to lose their land, when debts exceeded considerably their assets. Therefore, the balance between assets and debts is much more important than the amount of debts itself. The Report of the Burma Provincial Banking Enquiry Committee shows the following results of the investigation with respect to indebtedness of cultivators who owned land.<sup>41)</sup>

A. Those who are free from debt and have cattle and enough paddy to last until next harvest begins (or have enough money to pay all their debts and buy this much paddy); 14 %

B. Those who do not belong to Class A but would be able to pay off all their debts if they used all the money they have and sold all their paddy but kept their cattle; 25 %

C. Those who do not belong to Class A or B but have debts which are

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41) Report on the Burma Provincial, . . . pp. 54-55

less than half the value of their land (not counting other property); 26 %

D. Those whose debts are more than half the value of their land but are less than the value of all their property; 23 %

E. Those whose debts exceed the value of all property; 13 %

Judging from the above figures, there were a considerable number of cultivators whose debts were in a critical situation. It is noteworthy that about one third of cultivators belonged to groups D and E, and therefore were apt to lose their land if economic conditions deteriorated.

Typically, one case might be that a cultivator failed to settle his debt for some reason and extended the period of repayment. If he was a poor farmer with few assets, and whose agricultural income was relatively small in comparison to the debt, he was liable to increase the debt cumulatively on account of its high interest rate. As a result, he may have finally lose his land. In contrast is the intermediate or long-term loan for the purpose of investment, which was utilised mainly by middle-sized or big farmers. Although the amount of such a loan was usually large, there was usually less difficulty with the repayment because of correspondingly large holdings. Nevertheless, these farmers also lost their lands during the great depression in the early 1930s.

Next, we will consider the distribution of occupied land in Lower Burma by type of owner from 1900/1 to 1935/36.<sup>42)</sup> Generally speaking, with respect to the situation of the transfer of land we can divide this period into two parts: before and after 1929, when the depression started in the United States. The former period is from 1900/1 to 1928/9, when the transfer of land to non-agriculturists was moderate, while the latter period is from 1928/9 to 1936/7, when large areas of good land in Lower Burma were transferred to non-agriculturists, especially Chettiars, due to the severe agricultural depression.

The total occupied area was 6,631 thousand acres in 1900/1, 83 % or 5,474 thousand acres of which was owned by agriculturists, and the remaining 17 % or 1,157 thousand acres by non-agriculturists. Of the non-agriculturist group resident farmers owned 435 thousand acres, while non-residents owned 722 thousand acres. Significant changes now took place in the distribution of occupied land. In the period before 1929, the area owned by agriculturists increased by 2,130 thousand acres to 7,600 thousand acres. However, as a proportion of the total occupied land it

<sup>42)</sup> See the appendix IV B (pp. 268-269) of Cheng Siok-Hwa's book.

**Table 2-7** Change in the Land Distribution between Agriculturists and Non-agriculturists, 1900/01-1935/36.

(in thousand acres)

		1900/01	1914/15	1928/29	1935/36	
Lower Burma	occupied area	6,631<100>	9,061<100>	10,654<100>	11,056<100>	
	increased area and rate from 1900/01	—	2,430(36.7)	4,023(60.07)	4,425(66.7)	
	increased area and rate from 1928/29	—	—	—	402(10.0)	
Agriculturists	occupied area	5,474<82.6>	7,106<78.4>	7,601<71.3>	5,803<52.5>	
	increased area and rate from 1900/01	—	1,632(29.8)	2,127(88.9)	327(6.0)	
	increased area and rate from 1928/29	—	—	—	▼1,798(▼23.7)	
non-agriculturists	occupied area	1,157<17.4>	1,955<11.6>	3,053<28.7>	5,253<47.5>	
	increased area and rate from 1900/01	—	831(71.8)	1,896(163.9)	1,096(54.0)	
	increased area and rate from 1928/29	—	—	—	2,200(72.4)	
non-agriculturist	resident	occupied area	433<6.6>	651<7.2>	778<7.3>	963<8.8>
		increased area and rate from 1900/01	—	216(49.7)	343(78.9)	533(122.5)
		increased area and rate from 1928/29	—	—	—	190(24.4)
	non-resident	occupied area	722<10.9>	1,303<14.4>	2,274<21.3>	4,285<38.8>
		increased area and rate from 1900/01	—	581(80.4)	1,552(11.0)	3,563(493.5)
		increased area and rate from 1928/29	—	—	—	2,011(88.4)

(%) the increased rate of occupation from 1900/01 or 1928/29 to various years.

<%> share of occupied area by agriculturists or non-agriculturists to the total occupied area in Lower Burma.

source) This table was made on the basis of appendix VI. B of Cheng Siok-Hwa's book.

decreased to 71 %. On the other hand, the area held by non-agriculturists increased by 1,900 thousand to about 3,000 thousand acres, almost 30 % of the total. During this period, the total occupied land in Lower Burma increased by over 4,000 thousand acres.

Smaller part of the land transferred to non-agriculturists before the depression went to Chettiars. As a matter of fact, only about 20 % of the area owned by non-agriculturists was possessed by Chettiars at the end of the 1920s. Chakravarti states, "Until around 1929-30, the extent of land



owned by Chettiars was not so large as to cause concern; . . ."<sup>43)</sup> In general, the clients of Chettiars were the more wealthy farmers with wide holdings and a higher credit level than those of non-Chettiars; the accumulation of land by Chattiars might not be a serious problem during the period before the severe depression of the early 1930s. Thus, it was non-Chettiars who largely accumulated land before the depression. Despite this, two thirds of loans to farmers in Lower Burma were extended by Chettiars, perhaps surprising in view of how small land was taken up by Chettiars during this period. Perhaps, most of land which fell into their hands was put up for sale, not for tenancy, because they preferred to have their assets in the form of monetary assets with high liquidity rather than in land. They were primarily hereditary moneylenders who had considerable knowledge and experience of financing. Therefore, it was very rare for Chettiars to be engaged in farming. In contrast, most non-Chettiars including a number of the Burmese preferred land to liquid assets as the holding form of their assets. To them, it was the most secure investment and was put up for tenancy.

Now let us consider the period from 1928/9 to 1936/7. At first we will see what happened during the great depression in the first half of the 1930s. During this period, the area owned by agriculturists decreased greatly; it fell by 1,700 thousand acres, from 7,600 thousand to 5,900 thousand, equivalent to a quarter of the area owned by them just before the depression. As a result, the percentage of their land to the total occupied area in Lower Burma fell to 53 %. On the other hand, the area owned by non-agriculturists increased by 2,200 thousand acres from 3,000 thousand to more than 5,200 thousand, accounting for nearly half of the total occupied area. In short, a great deal of land was transferred from agriculturists to non-agriculturists during the depression. Typically, it was taken up by non-resident non-agriculturists, so that the area owned by them increased by 2 million acres to 4.3 million acres, which was almost equal to 40 % of the total occupied land in Lower Burma. As a result, 52 % of paddy went to moneylenders between 1932/4 and 1936/7.<sup>44)</sup>

Thus, plenty of land went to non-agriculturists, but it was Chettiars who got most of land in this period. Table 2-8 shows the change in the area

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43) Chakravarti N. R., *The Indian Minority in Burma, The Rise and Decline of An Immigrant Community*. London, New York, 1971. p. 62

44) *Report on the Marketing of Rice in India and Burma*. Dheli 1941 pp. 282-283

**Table 2-8** Classification of Occupiers of Agricultural Land in the 13 Principal Rice-growing Districts\* of Lower Burma, 1930-37.

(in thousand acres)

Year	Total occupied area	Area occupied by non-agriculturists	Area occupied by Chettiars	Percentage of area occupied by Chettiars to area occupied by non-agriculturists (%)	Percentage of area occupied by Chettiars to total occupied area (%)
1930	9,249	2,943	570	19	6
1931	9,305	3,212	806	25	9
1932	9,246	3,770	1,367	36	15
1933	9,266	4,139	1,782	43	19
1934	9,335	4,460	2,100	47	22
1935	9,408	4,687	2,293	49	24
1936	9,499	4,873	2,393	49	25
1937	9,650	4,929	2,446	50	25

\* Pegu, Tharrawaddy, Hanthawaddy, Insein, Prome, Bassein, Henzada, Myaungmya, Maubin, Pyapon, Thatôn, Amherst and Toungoo.

source) Report of the Land and Agriculture Committee, part II—Land Alienation., p. 39.

held by Chettiars in the 13 main rice-producing districts in Lower Burma.<sup>45)</sup> The area held by them was only 570 thousand acres in 1930, which accounted for 19 % of the area owned by non-agriculturists and for 6 % of the occupied area in the 13 districts. However, the more the effects of the depression intensified, the more land was transferred to Chettiars. Almost 90 % of land which was shifted to non-agriculturists during the depression went to them. As a result, the area owned by them in the 13 districts increased by about 1.8 million acres to almost 2.5 million acres in 1937.

The depression seriously damaged the agricultural sector, a mainstay of the Burmese economy. The export of rice fell drastically, and the paddy price plunged more than 50 % from Rs. 160 in 1929 to Rs. 75 in 1931. Under such disastrous circumstances, even relatively wealthy middle and big farmers with large holdings fell into default and lost their lands. As mentioned above, such lands were largely taken up by Chettiars, from

45) Report of the Land and Agriculture Committee. (Part II—Land Alienation) Rangoon, 1938. pp. 37-39

whom they borrowed money. Chettiars wanted to sell lands which they had got in quittance of the debts, but they could not find any buyers in spite of the much reduced land price.<sup>46)</sup> Therefore, they came to hold a considerable area of land, even though they might not want it. Nevertheless, the fact that nearly 2.5 million acres of best land in Lower Burma came under Chettiar ownership made anti-Indian feeling flame up and expedited the separation movement from India,

Thus, the depression brought drastic changes in the distribution of land ownership. As a result, nearly half of the agricultural land in Lower Burma fell to non-agriculturists. This illustrates how deeply most farmers depended on borrowed money. Futhermore, as public credit to farmers was poorly developed in colonial times, they had to depend on private moneylenders; most of the government budget for the agricultural sector was invested in constructing an infrastructure such as irrigation and embankments, while very little was directed for the loans to individual farmers. Thus they were forced to rely on the private moneylenders and traders at interest rates of more than 20 % per annum.

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46) Chakravarti, op. cit., p.64

## Chapter 3

# Economic Change in Upper Burma

As already described, Lower Burma came under British control through the first two Anglo-Burmese wars in 1824-26 and 1852, while Upper Burma was dominated by the Konbaung dynasty till the end of 1885. Accordingly, two political powers existed in Burma between 1826 and 1885. With the colonization of Lower Burma, gradual but great economic changes had taken place. The vast waste land in the Irrawaddy delta was developed to be brought under cultivation in the latter half of the 19th century, especially after the 1870s. The economic development of Lower Burma began to exert profound influences on Upper Burma, too. In this chapter, we will take up this issue.

### 1 Trade between Lower and Upper Burma in the latter half of the 19th century

The loss of Lower Burma seriously damaged the Konbaung dynasty, because it was not only a kind of granary to relieve food shortages in Upper Burma, but also a source of supply for salt, fish and ngapi (fish paste), which were indispensable in the ordinary diet of Burmese people. It was King Mindon who was on the throne in 1852 when Pegu was annexed to British India. As a result of the annexation, he launched political and economic reforms to rehabilitate his weakened dynasty. Cady points out, "His principal objectives were to eliminate feudal vestiges and to strengthen the authority of the central government."<sup>1)</sup> He prepared against another invasion of the British by strengthening his army by means of modern weapons, equipment and training. The post of Kayainwun was newly established to supervise the work of a number of Myowun. A salary-payment scheme for governmental officials was also introduced with little success, and coined money was minted for the first time. This was probably due to the fact that Upper Burma was also involved in money economy. To finance the growing monetary expenditure, the thathameda tax was created in 1862, and soon grew to be the most important fiscal source, accounting for two thirds of total revenue in the 1860s and 1870s.<sup>2)</sup> King Mindon sign-

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1) Cady J., *A History of Modern Burma*. Ithaca, 1958. pp. 100-101

2) *ibid.*, p. 101

ed a commercial treaty with the British to promote trade with Lower Burma. As a result, the demand in Lower Burma for natural resources from Upper Burma increased. However, a lot of restrictions on the trade with Lower Burma were imposed by the king; so it was not very attractive to the merchants of Lower Burma.

Upper Burma was economically very important in various respects for the economic development of colonial Burma, not only because it was a main source of supply for labour force which was indispensable for reclaiming waste land in Lower Burma, but also because it was rich in natural resources such as crude oil, timber, non-ferrous metals and many kinds of agricultural produce. In addition, Upper Burma was located on the way to south-western China, with which British merchants were very eager to trade overland. The Government of British Burma, therefore, wanted to establish a firm economic relationship with the Konbaung dynasty, which led to the conclusions of commercial treaty in 1862 and 1867. In fact, it was said that Fayre, the Chief Commissioner at the time, wished to realize the following points in the negotiation of the treaty;<sup>3)</sup> (1) to abolish the tariff levied at the border by the both sides, (2) to dispatch a joint caravan in order to open a trade route to Yunnan by way of Bahmo, (3) to make the Konbaung dynasty allow a commercial representative in Bhamo, and free trade with Yunnan for British merchants, (4) to secure the free passage of Chinese labourers to expedite the flow of labour to Lower Burma, and (5) to secure the free passage of opium through the Konbaung territory to Yunnan. Thus, the negotiations were initiated under strong pressure from British Burma and the first commercial treaty was concluded in 1862.

According to the Article I and II of the treaty, people who lived in the territory of the Konbaung dynasty and British Burma were mutually allowed to travel and trade in the other territory. This aimed at both attracting labourers from Upper Burma and stimulating trade between both sides. With respect to duties taken at Thayetmyo and Toungoo, the both sides agreed to abolish them within one to four years. As regards goods imported from foreign countries by way of the other territory, one percent on their value was charged by the government through whose territory they passed. No charge was levied on goods exported by way of the other territory. In short, goods which were imported from Britain and landed in British Bur-

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3) Pearn B. R. , "The Commercial Treaty of 1862". The Journal of Burma Research Society 1937. p. 34

ma were carried without charge through the Konbaung territory to China. This was obviously to expedite the progress of trade between British Burma and China. In addition, traders of both sides were allowed to travel, settle and purchase whatever they might require in the other territory.<sup>4)</sup>

Nevertheless, the treaty was not strictly adhered to by the Burmese king. He continued not only to take duties at the border despite their abolition by the British, but also put under the King's monopoly important goods in which the British merchants had a deep interest, such as cotton, sugar, crude oil, and precious stones. For example, in the case of oil, twenty four privileged families who were allowed to produce it were obliged to sell it only to the King; British merchants had to buy it through the King's agents and claimed that this was against Article VII which stipulated freedom of trade. Therefore, negotiations were held again to solve these problems and as a result the second commercial treaty was concluded in 1867. The important point of this treaty was that the Burmese side was allowed to levy a uniform import and export duty of 5 per cent ad valorem for a period of 10 years after 1867; in return, items reserved as royal monopolies were confined to the three, namely earth-oil, timber and precious stones. Thus, with the above exceptions free trade was theoretically established.

Nevertheless, the hinderance and interference by the King continued on a wide scale, as free trade undermined the basis of the royal budget. Thus, raw materials sent by Burmese merchants from Upper to Lower Burma were compelled to be sold to the King or his agents; it was forbidden to deal with the British merchants freely. On account of this, many complaints that the King's monopoly and interference had exerted a depressing influence on the trade were made to the Chief Commissioner of British Burma.<sup>5)</sup> Before long, this developed into one of indirect reasons of the third Anglo-Burmese war in 1885.

However there is no doubt that despite the various problems mentioned above, the conclusion of the commercial treaties resulted in promoting not only trade between both sides but also the movement of people from Upper to Lower Burma. The total sum of exports and imports rose from Rs. 11. 3 million in 1862-4 to Rs. 26 million in 1873-4 and Rs. 37 million in 1878-9. The main items which were exported from Lower to Upper Burma in those days were rice, paddy, piece-goods of cotton, silk and wool, cotton yarn,

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4) *ibid.*, pp. 50-52

5) *ibid.*, pp. 46-47

**Table 3-1** Trade between Lower and Upper Burma, 1873/74-1878/79.

(in thousand rupees)

Year	Imports			Exports			Grand Total
	Via Irrawaddy	Via Tsittoung	Total	Via Irrawaddy	Via Tsittoung	Total	
1873/74	10, 874	2, 047	12, 921	12, 418	560	12, 978	25, 899
1874/75	12, 543	2, 032	14, 575	13, 941	762	14, 703	29, 278
1875/76	12, 904	2, 242	15, 146	13, 045	514	13, 559	28, 705
1876/77	13, 162	2, 299	15, 461	14, 117	515	14, 632	30, 093
1877/78	13, 829	2, 601	16, 430	17, 000	572	17, 572	31, 002
1878/79	16, 077	3, 132	19, 209	17, 167	442	17, 609	36, 818

source) Gazetteer of Burma., p. 475.

twist, raw silk, salt, ngapi, salted fish, betel nuts and porcelain. Among them, staple foodstuffs such as rice, salt and ngapi accounted for a considerable proportion of exports. The inflow of textile, piece-goods and yarn into Upper Burma increased gradually and began to exert a depressing influence on the domestic textile industry in this region. On the other hand, the chief goods sent from Upper to Lower Burma were raw cotton, sessamum, hand-woven cotton and silk piece-goods, timber, cutch, crude oil, raw sugar, stick lac, leather, tea, jade, wheat, pulses and beans. The growing demand for these goods produced in Upper Burma brought about a gradual change in the economy by giving an impetus to the advance of money economy. Nevertheless, the development of the trade was limited by restrictions imposed by the King.

After Upper Burma was annexed to British India in 1886, the various obstacles put up by the King which hindered the growth of trade were removed. The breakdown of the Konbaung dynasty resulted in the freeing of people and natural resources in Upper Burma from the feudal restrictions of the dynastic power. Inland trade became brisk again with the restoration of a peaceful social order. As a result, the demand which came largely from Lower Burma for goods and resources produced in Upper Burma grew markedly, so that their exports increased to a considerable degree, as well. The amount and the constitution of the main export items in the early 1890s are shown in Table 3-2. The largest four items were timber, crude oil, cutch, and foodstuffs, which together accounted for nearly 70 % of total exports to Lower Burma. In particular, oil production

**Table 3-2** Value of the Principal Articles Traded between Lower and Upper Burma, 1890/91 and 1891/92.

Articles	Upward	
	1890/91	1891/92
	Rs.	Rs.
Twist and yarn. ...	3, 505, 072	3, 537, 999
Cotton piece-goods. ...	4, 141, 500	3, 664, 924
Provisions, all kinds, including fruits. ...	9, 955, 438	10, 032, 535
Rice ...	3, 928, 040	8, 591, 859
Silk, raw ...	2, 406, 080	2, 191, 696
Silk piece-goods. ...	2, 337, 000	1, 770, 120
All other articles. ...	9, 184, 936	9, 001, 842
Total ...	35, 458, 066	38, 790, 975
Articles	Downward	
	1890/91	1891/92
	Rs.	Rs.
Cotton, raw ...	1, 020, 770	342, 620
Cutch ...	2, 235, 914	4, 018, 966
Oil, other sorts, including petroleum. ...	4, 017, 277	5, 066, 037
Provisions, all kinds, including fruits ...	1, 595, 372	2, 748, 206
Stone ...	57, 304	46, 916
Sugar, unrefined. ...	1, 078, 303	1, 192, 290
Timber ...	8, 312, 090	6, 224, 274
All other articles. ...	6, 433, 599	6, 611, 184
Total ...	24, 750, 629	26, 250, 493

source) Notes and Statistics., p. 15.

which was started by the Burma Oil Company from about 1890 increased at a tremendous speed and grew to be the next most important export to rice. Except for foodstuffs such as pulse, maize, fruit, wheat, edible oil, beer, sugar and tea which were consumed for the most part in Lower Burma, other resources were mostly exported to foreign countries and India. This stimulated the production of natural resources and caused a significant economic change in Upper Burma.

In contrast, the main imports from Lower to Upper Burma were rice and foodstuffs which accounted for nearly half of total imports in the early



1890s. But after the annexation of Upper Burma, the shortage of food in the region was overcome to some degree owing to the increase in paddy acreage and the stability of the yield brought about largely by the construction and spread of irrigation facilities. It led to levelling off imports of rice from Lower Burma, although Upper Burma continued to depend on imported rice from Lower Burma to some extent. Another main import items were textile goods such as yarn, twist, cotton and silk clothes and raw silk, accounting for nearly 30 %. In general, it was said that European textile goods were preferred to those of India. However, while piece-goods manufactured in India were little imported to Upper Burma, the import of Indian cotton yarn was on the increase, constituting 17 % of imported yarn in the mid 1890s. In addition, the imports of dycuffs, coal as fuel for railways and steamers, sugar, tea, ngapi, and salted fish also increased.<sup>6)</sup>

Finally we will touch on the trade with China. It has already been pointed out that the British had a keen interest in promoting the trade with China, a trade which had once been prosperous between the Konbaung dynasty and China. As the trade between Britain, India and China grew in importance from the beginning of the 19th century, the British became very eager to open up the trade route to China through Burma. This overland route was much shorter than the marine route by way of the Strait of Malacca, so the East India Company made investigations into the trade between Burma and China. In this trade, the main items exported from Burma to China were cotton, jade, salt, betel nuts, bird's nests, precious stones, while silk, copper, ironware, brass, tin, lead, gold leaf and so on were imported from China. According to the report of Colonel Yule in 1854, the export of cotton amounted to Rs. 25 million at that time, while the import of silk and other items amounted to Rs. 1.2 million and Rs. 680 thousand respectively.<sup>7)</sup> However, after the Mussulman rebellion in Yunnan shortly after the second Anglo-Burmese war, the trade route was virtually shut down. Nevertheless, the British still had a strong desire to re-open the route. In fact, opening the way to trade with China was one of the main motives not only for concluding the commercial treaty, but also for constructing the railways which the powerful British Chambers of Commerce were demanding in order to export British textile goods to China.

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6) Government of India, Trade between Lower and Upper Burma from 1881-82 to 1895-96. See table 1, 2.

7) Gazetteer of Burma. p. 472

Thus, though the trade with China by way of Upper Burma was expected to develop greatly, it would be difficult to say that it made a remarkable progress during colonial times. With respect to the merchandise trade between Burma and Western China, exports and imports amounted to only Rs. 2.2 million and Rs. 1 million respectively in 1900, compared to Rs. 186.4 million in total export (foreign plus coasting) and Rs. 125.9 million in total imports (foreign plus coasting).<sup>8)</sup> This could be attributable to the geographical steepness in the border area and the economic stagnation and political disorder in China at the time.

## **2 Agricultural development of Upper Burma**

### **Land tenure and tax system**

When the British annexed Upper Burma they set to work on the reform of land tenure and the tax system immediately. In 1889, the Upper Burma Land and Revenue Regulation was laid down and based on it, land in Upper Burma was divided into state land and non-state land. State land included the following: (a) land hitherto termed royal lands customarily known as ledaw, ayadaw and lamain-mye, (b) land held on condition of rendering public service, or as an appanage to, or emolument of public office, concretely speaking ahumdansa land, sisa land, thugyisa land, wunsa land and myinmye land (c) islands and alluvial formations in rivers, (d) waste land and land included within reserved or village forests, (e) land which had been under cultivation, but had been abandoned, and the ownership of which no claim was preferred within two years from the coming in force of the regulation.<sup>9)</sup> The British Government simply assumed the rights of lands coming under categories (a), (b) and (c) which had been enjoyed by the Burmese kings in past. In case of waste land which was freely occupied, reclaimed and cultivated in the days of the Burmese dynasties, the British Government declared itself the sole owner. By the regulation of 1889, waste land could be acquired by either the grant of a lease not exceeding thirty years or the grant of permits to occupy it temporarily; land revenue was levied on lands leased or occupied. Generally speaking, it seemed that the method of lease was unpopular because the majority of new cultivators preferred to do without leases and the transfer of any

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8) Ireland, op. cit., pp. 800-01, 824-25

9) Scott J. G., Gazetteer of Upper Burma and the Shan State. Rangoon, 1900. Part I VOL. II pp. 434-35

leases of state land to non-agriculturists or non-Burmese without the permission of the township officer was prohibited. On the other hand, sales of the right of occupation through auction were also infrequent on account of the restrictions on the transfer of the tenant's interest. In the district of Mandalay, the area granted for lease was only 9,806 acres in 1895-96, while that of state land which was put up to auction for sale of the occupancy rights amounted to 4,163 acres.<sup>10)</sup>

Non-state land included the following: (a) dhamma-ugya lands which were cleared by persons before July 1889 and were still in the possession of these persons, (b) bobabaing lands which were cleared before July 1889 and were in the possession of descendants of the persons who cleared them, or of persons who obtained them for valuable consideration from those who cleared them, or from their descendants, (c) lands of which the ownership had been granted by written orders of the king, or has been granted since annexation under a written instrument by or by order of the Local Government, (d) wuttakan lands which were devoted to the upkeep of a pagoda, monastery, or other religious institution.<sup>11)</sup> These non-state lands were owned as de facto private land.

The acreage of state land and non-state land was about 1.5 million acres and 1 million acres, while the number of their holdings was 270 thousand and 890 thousand respectively.<sup>12)</sup> Thus, non-state land only accounted for about 40 % of total land in Upper Burma, whereas the number of holdings in all non-state land was almost three times that of state land. This may indicate how small the average size on holdings of non-state land was in comparison to those on state land.

Regarding the tax system in Upper Burma, the revenue law of Upper Burma provided for the levy of thathameda on all classes of the population, for the assessment of rent on state land and for the assessment of revenue on non-state land.<sup>13)</sup> Thus, in addition to thathameda, rent was levied on state land and revenue, and on non-state land. In general, the British Government took over the principal parts of the tax system of the Konbaung dynasty. Therefore, the most important revenue in colonial times in Upper Burma was thathameda, constituting more than half of its total

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10) Nisbet, op. cit., 276-77

11) Scott, op. cit. (Gazetteer of Upper Burma. . . ), p. 436

12) Ireland, op. cit., p. 602

13) Nisbet, op. cit., 289

**Table 3-3** Revenue Statement of Upper Burma, 1890/91 and 1893/94.  
(in thousand rupees)

	1890/91		1893/94	
	Demand	(%)	Demand	(%)
Thathameda	4,619	52.3	5,488	52.1
State land	756	8.6	1,058	10.0
Excise	420	4.8	553	5.3
Forest	1,644	18.6	2,296	21.8
Stamps	231	2.6	300	2.8
Miscellaneous	1,143	12.9	817	7.8
Salt	14	0.2	10	0.9
Marine	—	—	5	0.5
Registration	—	—	5	0.5
Total	8,827	100.0	10,532	101.7

source) Gazetteer of Upper Burma and the Shan State., pp. 449, 451.

revenue. The amount of thathameda and the number of households assessed to it were Rs. 5 million and 565 thousand respectively in 1893-94.<sup>14)</sup> Other main items of revenue were forest revenue, rent from state land and excise. When the British Government introduced the assessment of revenue on non-state land where no revenue had been assessed in native times, thathameda was exempted or reduced. According to Nisbet, the following principles were laid down; firstly persons dependent solely on agriculture were to be exempted from the house-tax; secondly persons who, though partly dependent on agriculture, derived the substantial portion of their income from other sources, were to pay thathameda at a reduced rate; thirdly persons who derived the whole of their income from other sources than agriculture were to pay the house-tax to the same extent as before the settlement.<sup>15)</sup> But thathameda was quite unpopular and Taylor explains the reason as follows; "... as a result of the efficiency of the modern state's collection system, it became a greater source of grievance because the headmen were no longer able to adjust it on informal basis to fit changing economic conditions."<sup>16)</sup>

14) Scott, op. cit. (Gazetteer of Upper Burma. . . ), p. 452

15) Nisbet, op. cit., p. 290

16) Taylor R. H., The State in Burma. London, 1987. p. 191

## Diversification of agriculture

Various field crops were grown in Upper Burma, namely were paddy, sessamum, maize, jowar, cotton, beans, wheat, and gram. Most of them were consumed in Upper Burma, but cotton was a main item which was traded with China. Upper Burma was short of paddy, so it had to be imported from Lower Burma to make up the deficiency. The average annual imported quantity of paddy and rice was about 65,000 tons during the period from 1865 to 1896. In the years of drought, it jumped to more than 100 thousand tons. Therefore the loss of Lower Burma seriously damaged the dynastic economy.<sup>17)</sup>

The remarkable economic development in Lower Burma gradually affected the agriculture in Upper Burma. This brought about a great demand for agricultural products produced in Upper Burma. The agriculture in Lower Burma specialized in paddy growing; as this accounted for 90 % of the farmland there, the supply of other crops was dependent largely on Upper Burma. This not only contributed to the spread of cash crops in Upper Burma, but also stimulated the production for markets. As a result, the agriculture of Upper Burma became more commercialized.

It was paddy which occupied the largest share of the agricultural land in Upper Burma, but it was not necessarily suitable for its production due to scanty rainfall and irregular arrivals of the monsoon. It was said that on average Upper Burma was hit by drought once every three years. The irrigation system in the dry zone had been developed in old times. After the annexation of Upper Burma, the government endeavoured to construct new canals and repair or remodel old canals and reservoirs and in consequence of that, paddy acreage standing at 1.2 million acres in the first half of the 1890s increased steadily. It reached for the first time more than 2 million acres in 1903 and after that grew at a slower pace to 2.4 million acres in the second half of the 1920s, which was almost double that in the first half of the 1890s.<sup>18)</sup> Nearly one third of total agricultural land in Upper Burma was paddy land, about 60 % of which was irrigated.

Crops other than paddy accounted for about two thirds of the total areas under various crops in Upper Burma; of these the main ones were sessamum, groundnut, cotton and millet, which were grown for domestic demand or export. The crop with the second largest sown acreage was

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17) See appendix 8 of Chen Siok-Hwa's book.

18) See appendix 2 A of Chen Siok-Hwa's book.

**Table 3-4** Extent and Distribution of the Areas under Various Crops, 1926/27.

	Lower Burma		Upper Burma		Total
	(1) (1,000 acres)	(%)	(2) (1,000 acres)	(%)	(1)+(2) (1,000 acres)
Rice (unirrigated)	9,100	89.7	990	15.1	10,090
Rice irrigated from government works	—	—	700	10.7	700
Rice irrigated from private sources	235	2.3	675	10.0	910
Wheat	—	—	48	0.7	48
Millet	—	—	935	14.2	935
Maize	26	0.3	163	2.5	189
Gram	19	0.2	98	1.5	117
Pulses	83	0.8	710	10.8	793
Sessamum	30	0.3	1,200	18.3	1,230
Groundnut	5	—	490	7.5	495
Sugar-cane	15	0.1	6	0.1	21
Cotton	4	0.4	445	6.8	449
Tobacco	45	0.4	36	0.5	81
Vegetables	44	0.4	35	0.5	79
Plantains	57	0.6	23	0.4	80
Fruit garden	335	3.3	15	0.2	350
Dhani	66	0.7	—	—	66
Rubber	79	0.8	—	—	79
Total	10,143	100.3	6,569	99.8	16,712

source) Agriculture in Burma., p. 9.

sessamum, grown extensively in Meiktila, Yamethin, Thayetmyo, Pakkok, Magwe, Shwebo and Lower-Chindwin owing to firm demand for edible oil in Burma. Its sown acreage in Upper Burma reached to 1.2 million acres in the latter half of the 1920s, and its extension was obviously one of factors which curbed the emmigration of labourers to Lower Burma.<sup>19)</sup> However, the domestic demand for edible oil was not fully filled.

Another crop grown to produce edible oil was groundnut, which was brought into the dry zone from the Shan State in the 1880s and spread quickly to Upper Burma after the latter half of the 1900s. It was grown mainly in Myingyan, Pakkok, Magwe, Shwebo, Lower-Chindwin, Sagain and Meiktila.<sup>20)</sup> Its sown acreage increased markedly from 16 thousand

19) Adas, op. cit., p. 158

20) *ibid.*, pp. 157-8

acres in 1904-05 to 640 thousand acres in 1933-34. The extension of groundnut also created a lot of job opportunities in Upper Burma and exerted a depressing effect on the outflow of labourers. Different from sessamum, a substantial part of groundnut was exported to the Straits Settlements and India.<sup>21)</sup>

Millet was also produced extensively in Upper Burma, with the sown acreage of 940 thousand acres or 14 % of the total. Its seeds were used for food and thereby played a role in supplementing insufficient grain in this region. A part of millet was exported to Britain and India and used in brewing and as feed for livestock. The sown acreage of various kinds of beans including gram was about 800 thousand acres as a whole, which accounted for more than 10 % of the total sown acreage. Some kinds of beans were grown in turn with cotton on the upland in the dry zone and on the alluvial land along the Irrawaddy River. About 40 % of the output was exported to Europe and other countries.<sup>22)</sup>

Cotton was grown in Upper Burma from old times and was a principal export of the Burmese side in the Sino-Burmese trade. It was also expanded due to its high price after the annexation. The area under cotton was estimated to be 100 thousand acres in about 1870, and it rose to 250 thousand acres in the second half of the 1920s. Generally speaking, cotton cultivation did not thrive because the bulk of cotton goods was imported from not only Britain but also India.<sup>23)</sup> As a rule, cotton from Burma was divided into two kinds, wagi and wagale, the former being grown in Sagain, Meiktila and Myingyan, the latter, in Thayetmyo and Prome. With respect to quality, wagi was better than wagale, but both of them were short staple. More than 90 % of cotton was exported for Britain, Germany, China and Japan, the last of which later grew to be the biggest importer.

As we have seen, various kinds of field crops as well as paddy contributed, as a whole, to the agricultural development in Upper Burma; this was a chief reason for the improvement in the economic conditions of the people in this region. Besides agriculture, breeding livestock also thrived because of great demand for draught animals caused by the expanding rice cultivation in Lower Burma.

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21) Department of Economics (University of Rangoon), *Economic Development of Burma*. Rangoon, 1962., p. 18

22) *ibid.*, p. 18

23) Scott, *op. cit.* (*Burma, A Handbook of . . .*), p. 275

## Irrigation

One of the most important factors contributing to the development of agriculture in Upper Burma after the annexation was the progress of irrigation. The dry zone was not necessarily suitable for cultivating paddy due to the scarcity of rainfall, which was about 25 to 35 inches a year. But the old Burmese dynasties in Upper Burma built their material bases on income from agricultural produce produced mainly in the central part of the region such as Kyaukse, Mandalay, Shwebo, Sagain, Magwe, Meiktila, Myingyan and Pakkok. Therefore, irrigation had been practiced in the dry zone to overcome natural limitations for a great many years. In fact, canals, reservoirs and weirs for irrigation had been very carefully maintained by the kings. When the British took over Upper Burma, there were four canals in the Mandalay district, one in the Shwebo district, thirteen in Kyaukse, and two in Minbu, as well as a number of reservoirs in Kyaukse, Meiktila, Yamethin and Myingyan.<sup>24)</sup>

The area irrigated was increased by 500 thousand acres from 240 thousand acres on average in 1891-5 to 740 thousand acres in 1921-5, that is to say, the amount of land under irrigation almost trebled in thirty years.<sup>25)</sup> Most of this increase was brought about by many irrigation works carried out by either the central or local government. Nearly 60 % of the paddy land in Upper Burma was irrigated in the later half of the 1920s; half of the irrigation systems belonged to the private individuals and the remaining half, to the government.<sup>26)</sup> In colonial times, irrigation work was usually

**Table 3-5** Irrigated Area of the Four Main Irrigation Projects, 1921-25.  
(in thousand acres)

Irrigation Projects	1921	1922	1923	1924	1925
Shwebo	170	167	163	167	172
Mon	48	60	69	69	67
Mandalay	68	70	72	72	74
Ye-U	73	76	86	80	93
Total	359	373	390	388	406

source) Agriculture in Burma., p. 67.

24) *ibid.*, p. 261

25) Agriculture in Burma, p. 66

26) *ibid.*, p. 9



divided into major works, minor works and navigation. The cost of the construction and working expenses of major irrigation systems were carried by the central government, in other words they were imperial, while expenditure on minor works and navigation were borne by local government, in other words it was provincial.<sup>27)</sup> Major irrigation works included the Mandalay Canal, the Shwebo Canal, the Mon Canal and the Ye-U Canal. Outlines of these four projects were follows.<sup>28)</sup> The construction of the Mandalay Canal was started in 1896 and the main canal and the irrigation distributaries were completed in 1902 and in 1905 respectively. The total capital expenditure was over Rs. 6 million and the irrigated land covered 80 thousand acres. The Shwebo Canal began in 1900 and was completed in March 1906. The main canal and branch canals were 27 miles and 45 miles in length and the estimated cost was Rs. 5.4 million. The area of land irrigated by the project was nearly 150 thousand acres. The Mon Canal was constructed in the dry zone of Minbu in 1904 and the estimated cost was less than Rs. 5 million. The area of irrigated land was about 80 thousand acres. The Ye-U Canal was initiated in 1911, but its completion was delayed owing to the First World War. By 1920, the main part of the project was completed. The total expenditure up to 1921 was Rs. 5.1 million and the area of irrigated land was 100 thousand acres.

So, the increase in area irrigated during 30 years up to the first half of the 1920s was nearly 500 thousand acres, 80 % of which was accounted for by the four projects. As well as these projects, a number of minor irrigation projects were undertaken, which when added together were also important.

### **3 Exploitation of natural resources**

As well as agricultural products, important natural resources were exploited after the annexation, including crude oil, non-ferrous metals and timber. This also affected the economic situation of the inhabitants.

#### **Oil and non-ferrous metals**

Oil was produced from old times in Upper Burma, and was considered to

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27) Ireland, op. cit., pp. 669-70

28) Ireland, op. cit., pp. 670-71; Mandalay District (Burma Gazetteer) Vol. A. Rangoon, 1928. pp. 122-24; Shwebo District (Burma Gazetteer) Vol. A. Rangoon, 1929. pp. 110-20; Scott, op. cit. (Burma, A Handbook of. . .), pp. 261-62

belong to the king. The most important oilfield was in Yenangyaung where the right to dig for oil was vested to only the 24 families called Yoya. A member of the family wanting to dig wells had to apply to the head of a family called Twinsayo. Twingyimin was president of the Twinsayo, settling all disputes and giving final permission to dig. In 1856 or 1857, a monopoly system was introduced by King Mindon, under which oil could be sold only to the king at a fixed rate of one rupee eight annas per 100 viss (365 pounds).<sup>29)</sup> However, later this system became the cause of disputes between British Burma and the Konbaung dynasty. After the annexation of Upper Burma, the rights of these privileged families were maintained.

Many oil companies were set up shortly after the annexation of Upper Burma, but it is estimated that eight out ten companies failed since the extraction of oil demanded heavy investment.<sup>30)</sup> Among them, the Burma Oil Company (BOC) grew to become the biggest oil company in Burma but also India. It may be safely said that the development of a modern oil industry in Burma started with the establishment of the Burma Oil Company in 1886, when Burma was put under British rule. The BOC first started boring for oil in the fields of Yenangyaun in 1887. Although the oil production for that year was mere 2.3 million gallons, it increased drastically from the 1890s onwards owing to the introduction of modern techniques such as machine drilling. Production from the Yenangyaun oilfield reached 10 million gallons in 1893, 57 million gallons in 1903, 123 million gallons in 1908 and 200 million gallons in 1913. But after reaching a peak in the 1910s, it subsequently decreased to 130 million gallons in the latter half of the 1920s. The BOC was mainly responsible for the beginning of production at Singu oilfield from 1902. Production rose from 23 million gallons in 1904 to 50 million gallons in 1911 and 100 million gallons in 1921.<sup>31)</sup>

The BOC was engaged not only in producing oil in Upper Burma, but also manufacturing various oil products at the oil refinery at Syrium, near Rangoon. A pipe line of some 275 miles connected the refinery with the oilfields of Yenangyaung and Yenangyat. It was completed in 1907-08 and later extended to Singu, totalling 325 miles in length. The BOC had its own

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29) Scott, *op. cit.* (Burma, A Handbook of . . .), pp. 243-4

30) Department of Economics, *op. cit.*, p. 23

31) Chibber H. L., *The Mineral Resources of Burma*. London, 1934. (nanyou kyoukai yaku biruma koubutsu sigen. Toukyou shouwa 17 nen, translated into Japanese pp. 195-6, 187-8)

**Table 3-6** Oil Production of Yenangyaung and Singu, 1888-1930.

(in thousand gallons)

Year	Oil field	
	Yenangyaung	Singu
1888	2,566	—
1893	9,886	—
1898	13,789	—
1903	56,920	5,617
1908	123,637	43,049
1913	200,556	63,538
1918	203,638	61,036
1923	175,159	87,476
1928	135,970	113,987
1930	132,893	95,368

source) Chibbar H. L., (Japanese Translation) pp. 188-9, 195-6.

oil tankers and owned storage tanks at the main ports of India. The BOC enjoyed a virtually monopolistic position in Burma, owing to the government's protectionist policy. For example, when the Colonial Oil Company of New Jersey and the Anglo-American Company of Britain, both subsidiaries of the Standard Oil Trust, applied for prospecting licences, the Government of India turned them down. In addition, the Shell's request to prospect the oilfields was also rejected. As a result, the BOC accounted for 75 % of the oil production and 85 % of refined products.<sup>32)</sup>

About 80 % of all Burmese oil products was exported to India, driving out other foreign companies from the Indian market. Thus, the BOC was able to enjoy a considerable share of sales of oil products in the huge Indian market, partly because the cost of transportation oil products from Burma to India was lower than other foreign companies' costs; because they were so close geographically, partly because Burma was able to export tariff-free, since it was ruled administratively as part of India. The most important of the oil products exported from Burma was kerosene which accounted for nearly half the oil products exported to India. The share of Burmese kerosene in India rose from 10 % in 1900-01 to 48 % in 1905-06

32) Raja Segaran Arumugam, *State and Oil in Burma: An Introductory Survey*. (Research Notes and Discussions Series No. 3), Institute of Southeast Asian Studies, Singapore, 1977. pp. 4-5

and 53 % in 1938-39. The great demand for Burmese oil products coming from India was a major factor to make BOC and other oil companies in Burma expand still faster.<sup>33)</sup>

Other important oil companies besides the BOC were the Indo-Burma Petroleum Company (IBPC) and British Burmah Oil Company (BBPC, also known as the Pyinya Development Corporation). The IBPC discovered oil at Indow in Lower Chindwin and at Lanywa. The production at the former started in 1918, but its output never exceeded 3 million gallons by 1930, while the latter became the most important oilfield for the company. The production there started in 1928, but its output reached 13 million gallons in the following year. The BBPC was registered in 1910 and first put the Rangoon Oil Company under its control, it then further acquired the assets of the Rangoon Refinery Company and the Aungban Oil Company. The main oilfields of the BBPC were in Singu.<sup>34)</sup>

Mineral resources other than oil were also exploited, including lead, zinc, tin, tungsten, antimonial lead and nickel. Most of them were exported in a raw or semi-finished state. These were produced not in Burma proper but in the Shan State. Neither iron nor coal were abundant enough to be produced on a commercial basis, so most supplies were imported from Britain and India.<sup>35)</sup> One of the most important mines in Burma was the Bowdwin Mine, about 40 miles northeast of Lashio in the Shan State, where lead, copper, antimonial lead, nickel speiss and cobalt were mined.<sup>36)</sup> Lead was the main product of the mine. Mineral ores from the mine were transported to Mandalay and smelted there. This proved inconvenient, so two large smelters and an ore-dressing plant were built in Namtu, and connected with Namyao station by railway, a station located on the line from Mandalay to Lashio. The Bowdwin Mine was historically mined by the Chinese, but substantial development took place only after the annexation of Upper Burma. However, the mine's ownership changed frequently due to both the instability and scarcity of the demand for these products and mismanagement, and finally the Burma Corporation (BC) took over the mine. The First World War stimulated and promoted the growth of the mining industry of Burma. In fact, the war brought with it a demand for Burmese

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33) See chapter 4.

34) The outline of oil companies depended mainly on *The Burma Petroleum Industry* (Burma Pamphlets No. 10). Calcutta, 1946.

35) Andrus, *op. cit.*, pp. 115-16

36) *ibid.*, p. 122

mineral products, because so many arms and weapons were manufactured in Britain and India. For example, the annual average output of lead from 1909-13 was only 46 thousand tons, but it rose to 74 thousand tons over the five years and to about 300 thousand tons from 1924-28.<sup>37)</sup> Non-ferrous minerals were ranked third in exports after rice and oil from the beginning of the 1930s onwards.

## Timber

Burma was a main producer of good teak and other hardwoods. During the Burmese dynasties, these resources were owned by the king, but after the colonization of Burma, they were acquired by the colonial government. Under Burmese rule, the king exported timber to the neighbouring countries, but the quantity was limited. Needless to say, after the start of British occupation of Burma the forest resources were exploited and exported in large quantities. Timber was exploited by the British shortly after the annexation; Moulmein which had only been a small fishing village up until then was transformed into a modern port exporting timber such as teak. Consequently the shipbuilding industry also prospered there. Furthermore, the whole territory of the Konbaung dynasty was ceded to British rule as a result of the second and third Anglo-Burmese wars in 1852 and 1885. As these areas were also rich in forest resources, forestry developed into one of the most important industries in Burma during colonial times.

The extraction of timber was performed largely either by private firms under lease and purchase contracts or by the forestry department. The out-turn in cubic feet of the former accounted for 78.8 % of total out-turn and the latter, 18.3 % in 1904. The remaining 3 % went to free guarantees and right holders recognised by the government.<sup>38)</sup> In general, large-scale extraction of timber by private firms was carried out under long term leases of up to 15 years' duration, while small scale extraction was covered by short-term leases, purchase contracts or the issue of licence and permits.<sup>39)</sup> In Upper Burma, the out-turn of teak under lease and by local consumers and purchasers were 72 thousand tons and 37 thousand tons

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37) Chibber, *op. cit.* (translation edition), p. 164

38) Ireland, *op. cit.*, p. 655

39) *The Forest of Burma.* (Burma Pamphlet No. 5) p. 41

respectively in 1891-92.<sup>40)</sup> On the other hand, timber extracted by the forestry department was sold by public auction from government depots at Rangoon and Mandalay<sup>41)</sup> and its receipts constituted part of government revenue. The out-turn of teak by the forestry department in Upper Burma was only 5 thousand tons in 1891-92, while that in Lower Burma was 46 thousand tons.<sup>42)</sup>

The forestry industry was mostly dominated by a few European companies, which were Bombay Burmah Trading Corporation (BBTC), Steel Brothers and Company (SB), Macgregor and Company and T. D. Findlay and Son. Among them, BBTC was the largest and most powerful timber company, starting business in Burma towards the end of the 1850s. The company extended its activity to Upper Burma in the early 1860s by obtaining permission to work teak from the Ningyan (Pyinmana) and other teak forests in Upper Burma. The teak from Upper and Lower Burma was milled at the company sawmills in Rangoon and Moulmein and exported to India and elsewhere. The annexation of Upper Burma made it possible for the company to expand further. The forests it leased then were in Allamyo, Yamethin, Pyinmana and Katha.

Steel Brothers was established in 1862 and dealt in rice, timber, cotton and rubber. In the beginning SB was engaged in buying teak logs taken from Salween and Prome forests, but after the latter half of the 1890s the company itself extracted timber by securing leases in the Katha, Bahmo, Myitkyina, Thaugyin, Prome and Thayetmyo forests. Although SB showed good economic performance until the end of the 1920s, it suffered a severe setback during the great depression in the early 1930s. Macgregor ranked third. Its founder was a Romanian who started a timber business in the 1860s. It held leases on teak forests in Toungoo and Pyinmana and possessed two modern mills in Rangoon.<sup>43)</sup>

Table 3-7 indicates the out-turn of teak and other timber and revenue and expenditure. According to the table, the out-turn of timber increased considerably after the annexation of Upper Burma. Although the annual average out-turn of teak from the mid 1870s to the mid 1880s was a little over 100 thousand tons, it jumped to more than 200 thousand tons in

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40) Notes and Statistics. p. 11

41) Ireland, op. cit. , p. 654

42) Notes and Statistics. p. 10

43) The Forest of Burma. pp. 44-46

**Table 3-7** Out-turn of Teak and Other Timber and Gross Revenue, Expenditure and Surplus 1869/74-1934/39.

quinquennial Period	Average annual				
	Out-turn in tons of 50 cubic feet		Revenue (1,000 Rs.)	Expenditure (1,000 Rs.)	Surplus (1,000 Rs.)
	Teak	Other timber			
1869/1874	62, 918	n.a.	894	403	491
1874/1879	105, 729	n.a.	1, 429	812	617
1879/1884	116, 939	n.a.	1, 988	1, 012	976
1884/1889	81, 674	n.a.	2, 501	1, 322	1, 179
1889/1894	206, 124	n.a.	4, 979	1, 672	3, 307
1894/1899	289, 679	n.a.	6, 615	2, 121	4, 494
1899/1904	216, 504	288, 079*	7, 349	2, 798	4, 551
1904/1909	234, 783	316, 491	9, 391	3, 663	5, 728
1909/1914	279, 953	403, 116	10, 348	4, 014	6, 334
1914/1919	341, 377	329, 556	11, 335	5, 136	6, 199
1919/1924	509, 935	488, 995	19, 193	8, 641	10, 552
1924/1929	486, 439	532, 503	21, 225	8, 904	12, 321
1929/1934	393, 291	341, 518	13, 103	7, 083	6, 020
1934/1939	467, 836	463, 959	14, 990	6, 388	8, 602

One rupee is equivalent to one shilling and six pence.

\* 4-year average.

source) The Forest of Burma., p. 40.

1889-94 immediately after the annexation. After that, it continued to grow and reached 341 thousand tons in 1914-19 and nearly 500 thousand tons in the 1920s. The out-turn of other timbers also increased from 288 thousand tons in 1899-1904 to 532 thousand tons in 1924-29. As the out-turn of these timbers rose significantly, the forest revenue also increased markedly from about Rs. one million in around 1870 to Rs. 5.7 million in 1892-3, Rs. 11.6 million in 1912-3 and Rs. 20 million in 1927-8. Thus, forest revenue was an important government revenue, accounting for about 10 % of the total on average. This revenue came mainly from royalties paid to the government by European companies, as mentioned above.

Thus the exploitation of natural resources in Upper Burma, largely carried out by European firms for export, expanded greatly.

#### 4 Movement of population

The migration of indigenous people from Upper Burma to the Irrawaddy delta had begun on a small scale after the Alaungpaya's conquest of Lower Burma in the 1750s, mainly because of the political rule over the region, partly because of food shortages in Upper Burma. They settled in the regions of Prome, Henzada, Tharrawaddy, Rangoon, Bassein and Toungoo and so on.<sup>44)</sup> Thus, the Burmese people had replaced the Mon as the dominant race in Lower Burma by the middle of the 19th century, but Lower Burma still remained sparsely-populated area to the time of the annexation of Pegu by the British. It was in the second half, especially the last quarter of the 19th century when people came in large numbers as labourers from Upper Burma to the delta. In fact, a great number of labourers were needed for reclaiming large areas of waste land in the delta. As was noted previously, the Chief Commissioner of British Burma then urged the king of the Konbaung dynasty to conclude the commercial treaty in order to expedite the migration of people from Upper Burma and overcome the labour shortages experienced in Lower Burma.

However the outflow of so many labourers from Upper Burma endangered the economic and financial bases of the dynasty. That meant the decline in not only tax revenue paid to the king but also compulsory service performed by the labourers. The king, therefore, tried to halt the migration to the delta as much as possible. In particular, the permanent removal of a family unit was mostly prevented by the village headman, the thugyi, but it was impossible to stop it completely. There is no doubt that especially in the early days, a single man would migrate, leaving behind his wife, children and maybe other members of the family as a kind of hostage.<sup>45)</sup> Later family migration did increase. The yearly number of people who moved from Upper Burma to the delta, mostly as seasonal labour, was 40 to 50 thousand. This probably had an unfavourable effect on the dynasty economy in Upper Burma. The number of the in-migrants from Upper Burma to the delta continued to rise until the early 1900s. Although the increase in population of Lower Burma was higher than that of Upper Burma during the first decade of this century, due to the still-continuing influx of people from Upper Burma, after that the speed of increase seemed to

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44) Adas, *op. cit.*, p. 18

45) Cheng, *op. cit.*, p. 114



decline.<sup>46)</sup> This can be shown in the examination for the figures of people who were born in Upper Burma but counted with the population of Lower Burma. According to census data, the number was 316 thousand constituting 8.5 % of the total population of Lower Burma, and it rose to 350 thousand in 1891 and to 394 thousand in 1901. After that, however, it followed the downward trend consistently from 317 thousand in 1911 to 244 thousand in 1921 and to 159 thousand in 1931.<sup>47)</sup> Thus, the first decade of this century was obviously a turning point when the rapid increase in immigrants was replaced by the slowed pace of their inflow. As a matter of fact, the net number of outgoing population from Upper Burma to other places began to decrease from 339 thousand to 240 thousand between 1901 and 1911. This was brought about by the combined effects of the decrease in outgoing population from Upper and the increase in incoming population to Upper Burma. That is to say, the former declined from 418 thousand in 1901 to 346 thousand in 1911, while the latter rose from 78 thousand to 105 thousand at the same time.<sup>48)</sup> It seems that this was the result of two main factors relating to the economic conditions of both Lower and Upper Burma. As already mentioned, the rate of increase in reclaimed land in the delta slowed to almost one percent from the beginning of this century, which no doubt reduced the capacity of Lower Burma to attract and absorb the immigrants since land reclamation in those days was highly labour-intensive. Secondly, the economic situation of Upper Burma was improving considerably with the increase in paddy land spurred on by the spread of irrigation facilities and the considerable rise in commercial crops such as sessamum, groundnut and millet. Also to be taken into account was the increased production of natural resources stimulated by brisk demand from Lower Burma and overseas. All this also contributed to the slower outflow of population from Upper Burma to the delta.

When we examine in detail the growth in population between 1901 and 1911 by district, substantial differences can be seen probably reflecting the economic conditions of each district. Table 3-8 shows the growth rate of population by district in the central basin of Upper Burma between 1901 and 1911. The population of this region as a whole increased by 13 % during this period, equivalent to 1.23 % of the annual growth rate, while the

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46) Census of Burma 1911. p. 65

47) Cheng, op. cit p. 117

48) Census of Burma 1911. p. 65

**Table3-8** Variation of Population in Districts in Central Basin, 1901 to 1911.

Districts in Central Basin		
District	Increase	
	Per cent	In density per square mile
Magwe	+28	+22
Yamethin	+26	+15
Shwebo	+24	+12
Myingyan	+23	+26
Pakokku	+15	+ 8
Lower Chindwin	+14	+11
Minbu	+13	+ 9
Sagaing	+12	+19
Meiktila	+11	+12
Mandalay (City excluded)	+11	+10
Prome	+4	+ 4
Thayetmyo	+4	+ 2
Kyaukse	+0	+ 0
Mandalay	-7	-12
Mandalay City	-25	-1,820
Central Basin	+13	+11

source) Census of Burma 1911., p. 54.

density of population rose by 11 persons per square mile. Then based on the average growth rate of population, these districts can be divided into three groups; the first group with much a higher population growth rate than the average growth rate, the second with almost the same rate as the average rate and the third with a lower rate than the average rate.

Districts in the first group were Magwe, Yamethin, Shwebo and Myingyan, although this last district should be included in the second group, because its high population growth was caused by special reasons. Among these districts, Magwe showed the highest increase rate. The main oilfields such as Yenangyaung were located in Magwe and absorbed many workers who might have otherwise come down to the delta. Yamethin had a lower density of population because of the lack of effective transport before the

railway from Toungoo to Mandalay was opened.<sup>49)</sup> The railway made possible the extension of crops, in particular sessamum. The area brought under various crops increased by 100 thousand acres or 42 % from 238 thousand acres in 1901-02 to 338 thousand acres in 1910-11. This agricultural development brought about a change in the pattern of population movement. In fact, the incoming population to the district was 31 thousand in 1911, exceeding that of outgoing population by 7 thousand.

The district of Shwebo was also economically much improved by the opening of the railway and the extension of irrigation facilities, and this resulted in the growth in population. The population in the district of Shwebo increased by 24 % from 287 thousand to 356 thousand between 1901 and 1911. The outgoing population had actually declined but the incoming population had increased since 1901. Generally speaking, though the former outnumbered the latter throughout most of colonial times, the difference narrowed, for example from 32 thousand in 1891 to 26 thousand in 1911 and 14 thousand in 1921. Furthermore, the population in this district rose by 10 % between 1911 and 1921. According to the Burma Gazetteer of Shwebo District, this increase occurred largely in the irrigated areas. The rate of population growth in the irrigated area along the Shwebo Canal and the Ye-U Canal were 26 % and 24 % respectively over the same period.<sup>50)</sup> This indicates undoubtedly that the extension of irrigation was one of the most important factors contributing to the improvement of the people's economic conditions.

Now let us move to the second group. The districts in this group were Pakkok, Lower Chindwin, Minbu, Sagain, Meiktila and Mandalay. Myingyan should also be included in this group. Among them, Mandalay and Pakkok were the districts undergoing significant irrigation works. The irrigated area in the district of Mandalay increased greatly from 26 thousand acres in 1901 to 84 thousand acres in 1911. In Pakkok, there were the important oilfields of Yenangyat, and this was another reason for the higher growth in population. The irrigation system spread throughout Minbu, Meiktila and Myingyan, where the cash crops such as sessamum and groundnut were extensively grown. As already mentioned, agricultural diversification in Upper Burma also helped to curb the migration of people

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49) Consus of Burma 1911., pp. 54-55

Yamethin District (Burma Gazetteer). Rangoon, 1934. See chapter 3 and 4

50) Shwebo District (Burma Gazetteer). pp. 64-65

to the delta. Sagain was a district with a high density of population and the number of the outgoing people was not so large, both thought to be attributable to the historical and political development of the district rather than the effect of expanded irrigation systems.<sup>51)</sup>

The third group included three districts; Prome, Thayetmyo and Kyaukse, whose population growth rates were lower than the average growth rate. This was undoubtedly due to the outflow of population to other districts. Since Prome and Thayetmyo were located on the border of British Burma and the Konbaung dynasty before the annexation of Upper Burma, there was an artificial increase in population for political reasons. So, after the annexation of Upper Burma, people began to flow out in both direction to Lower and Upper Burma, which had a negative effect on any population increase.<sup>52)</sup> Kyaukse was an interesting case. It was a very important area as a granary for the Konbaung dynasty, so the irrigation system had been well-developed. There was no doubt that Kyaukse was still one of the major rice-producing districts in Upper Burma during British rule. Yet there was only a small population increase in Kyaukse after the annexation, particularly after the beginning of this century. The population was around 140 thousand, which was estimated to be lower than that of the Konbaung dynasty at the time just before the annexation. Several reasons contributed to this stagnant growth of population. First, the mortality rate was quite high with 39 per 1,000 between 1901 and 1918, while the fertility rate was 41.9 per 1,000 during the same period. Second, as most of the flat and fertile land in Kyaukse had been already developed under Burmese rule, there was little room left to cultivation. In fact, land left over for new clearing was unirrigable, sterile and prone to malaria, rather like the south of Samon and the area at the foot of the Shan Plateau. Moreover, little effort was spent on renovating old irrigation systems or developing new projects after 1901. In addition, the tax in Kyaukse was heavy compared to that of neighbouring districts.<sup>53)</sup> All these factors led to the diminishing capacity of Kyaukse to attract labourers from other areas.

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51) Census of Burma 1911. pp. 56-57

52) *ibid.*, pp. 56-57

53) Kyaukse District (Burma Gazetteer). Rangoon, 1925. Vol. A pp. 28-30

## Chapter 4

# Growth and Structure of External Trade

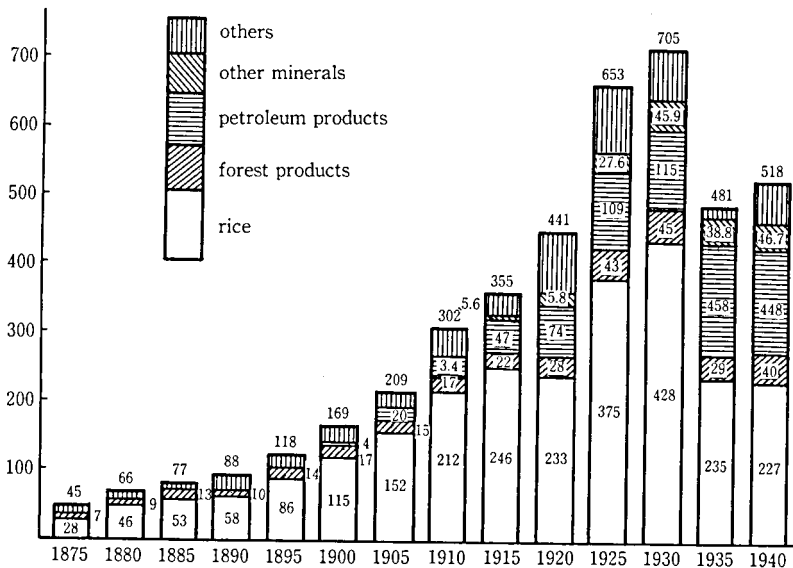
It has already been pointed out in chapter one that external trade played an important role in the economic development of Burma in colonial times. In particular, it was the growth in exports that brought drastic economic changes to the Burmese economy after the colonization. This was the most dynamic factor in the change of the vast waste land in the delta into paddy field. It was like an engine for the economic development. In the first place, we will examine the growth and structure of exports.

### 1 Growth of exports

Exports continued to grow almost consistently at a considerable pace in

**Figure 4-1** Growth and Structure of Exports, 1875-1940.

(in million rupees)



Each figure is a quinquennial average.

source) This figure was made from table No. 9 of U Aye Hlaing's mimeograph.

terms of both value and volume, till the great depression in the early 1930s. The average annual value of exports rose from Rs. 45 million in the first half of the 1870s to Rs. 200 million in the early 1900s, Rs. 350 million in the first half of the 1910s and Rs. 700 million at their peak just before the depression. That is to say, it grew 15 fold during this period and its average annual growth rate reached more than 5 %. Such a high and long growth of exports not only brought about sustained economic growth, but also made the economy heavily dependent on them. As a matter of fact, exports accounted for nearly 40 % of the national income of Burma in colonial times. Thus it was an export economy.<sup>1)</sup> Therefore, when exports fell sharply due to the depression in the early 1930s, the economy was seriously hit and it then led to the large peasant rebellion of the first half of the 1930s.

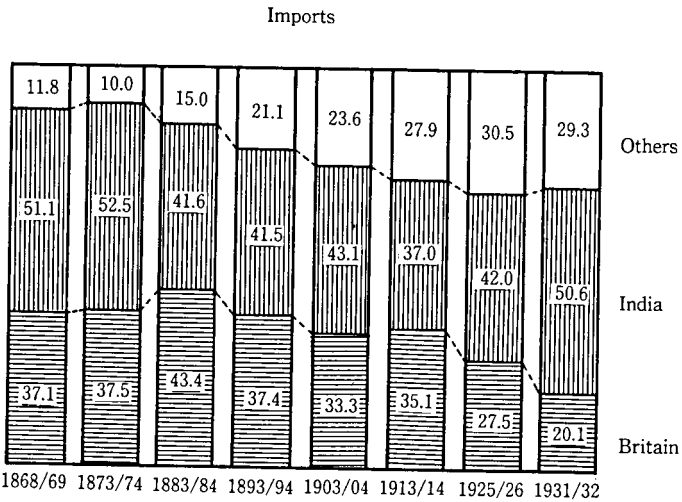
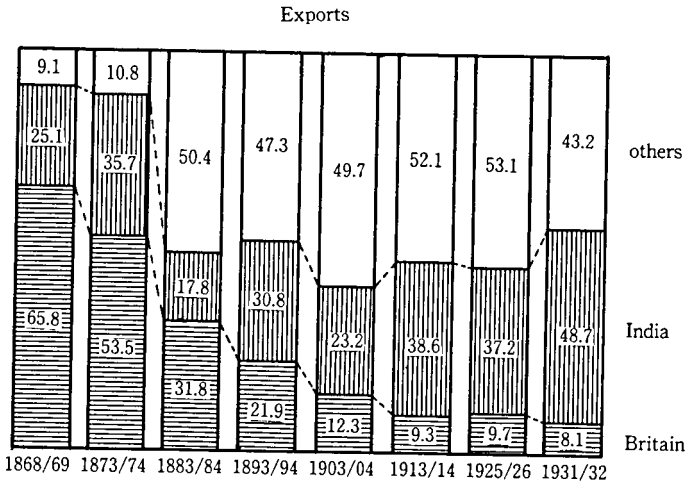
In terms of the structure of exports, a few primary products such as rice accounted for the most part of the total. The main exports were rice, oil products, timber and non-ferrous metals. Among them, rice accounted for the overwhelming share, or about 70 % of all exports from the latter half of the 19th century to the time of the First World War. After that, it declined but still made up more than half. In other words, there is little doubt that the high growth of exports was largely due to rice. As well as rice, timber especially teak, also began to be exported shortly after the conclusion of the Yandabo Treaty in 1826. Teak was the second most important export and Moulmein was the largest port for the export of teak throughout the 19th century. The proportion of teak to total exports was more than 10 % in the last century, but subsequently fell to about 6 %. Instead of teak, the export of oil products increased rapidly from the early 20th century and grew to be the second largest item, as the oil production in Upper Burma rose significantly since the end of the last century.<sup>2)</sup> Average annual exports of oil products were only Rs. 4 million in the latter half of the 1890s, yet they rose tremendously to Rs. 115 million in the latter half of the 1920s. In addition, the share of oil products to total exports rose from about 2 % to 17 % during the same period. However, it went up sharply to more than 30 % during the depression, because the export of oil products continued to increase even in the time of that economic crisis, while that of rice fell to almost half. Export of non-ferrous metals such as lead and tin

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1) U Aye Hlaing, op. cit., p. 38

2) See chapter 3.

Figure 4-2 Direction of External Trade of Burma, 1868/69-1931/32 (percentage).



source) Economic Department (Rangoon University), Economic Development of Burma., p. 32.

began to rise during and after the First World War. Their share was always less than 10 %, but it outstripped that of teak in the 1930s.

The exports of Burma were directed largely for Europe, above all Britain and India. Statistically, the maritime trade of Burma was classified into foreign trade and coasting trade. The former was the trade between Burma and foreign countries, while the latter was the trade between Burma and India and included the trade between ports situated in Burma itself. The most important trade partner in foreign trade was Britain, while in coasting trade it was India. In 1868-69, Britain and India accounted for two thirds and one quarter of the total exported value respectively. But, Britain's share declined consistently to 31. 8 % in 1883-84, 12. 3 % in 1903-04 and 9. 7 % in 1925-26. On the other hand, India became the largest importer of goods such as rice, teak and oil products, produced in Burma from around the last decade of the 19th century in place of Britain. Although the combined share of Britain and India constituted nearly 90 % of the whole amount exported from Burma in the early period, it fell to almost 50 % after the 1880s.<sup>3)</sup> Exports to other countries besides Britain and India began to increase from the last quarter of the 19th century. The main countries were Germany, Austria-Hungary, Holland, Japan and the Straits Settlements.<sup>4)</sup>

## **Main exporting items**

### **Rice**

The export of rice was prohibited under the rule of the Konbaung dynasty, probably because in those days Burma had not enough surplus rice to be exported to neighbouring countries. Moreover, Upper Burma was often affected by severe droughts and the food supply to the people was generally unstable and not enough to meet their requirements. The British, however, began exporting rice and teak from Akyab and Moulmein shortly after the annexation of Arakan and Tenasserim by lifting various restrictions imposed by the king. The volume of rice exported from Arakan rose to 74 thousand tons in 1845-46 and 86 thousand tons in 1853-54. Most of it was sent directly to Europe, but a part was sent to Madras and then re-exported as Madrasi rice. In the meantime, the quantity of rice exported from Moulmein was about 20 thousand tons in the latter half of the

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3 ) Department of Economics (University of Rangoon), op. cit., p. 32

4 ) Ireland, op. cit., p. 808



1850s.<sup>5)</sup> It was after a great deal of the waste land in the Irrawaddy delta had been cleared and brought under cultivation that Burma became a great rice exporting country in the international market. The export of rice grew in parallel with the increase in cultivated area in the delta. The acreage of cultivated area in the delta rose from 400 thousand acres to 1.5 million acres between 1852 and 1870, while the volume of rice exported from Rangoon and Bassein grew four fold to 240 thousand tons on average in the 1860s during the same period, which was still a comparatively low level.<sup>6)</sup> In the meantime, Rangoon grew to be the largest port for rice exports in place of Akyab. The export of rice was accelerated after the 1870s and reached nearly 2 million tons by the turn of the century. Furthermore, after this it increased almost constantly to more than 3 million tons in the 1920s with the reduced growth rate. Thus the export of rice was a driving force which propelled economic development for several decades till the end of the 1920s. However, it fell sharply by 45 % due to the depression with serious effects on the whole economy.

The paddy price rose with the increase in export demand for rice.<sup>7)</sup> It was only one rupee in 1819 just before the colonization of Burma, but it rose with the opening of the export trade and become Rs. 8 in 1848-49. At the same time, the price of cargo rice and milled rice was Rs. 22 and Rs. 31 respectively. Moreover, the rise in these prices was further accelerated from the 1850s. That is to say, the prices of paddy, cargo rice and milled rice jumped to Rs. 35, Rs. 65 and Rs. 100 in 1852-53 respectively. The paddy price increased to Rs. 55 in 1872, Rs. 85 in 1880, Rs. 95 in 1890 and over Rs. 100 at the beginning of this century. The paddy price followed the upward trend with significant yearly fluctuations; particularly it soared in the times of famine in India. For example, when severe famine took place in Madras, it jumped to Rs. 130 from Rs. 72 in the previous year.<sup>8)</sup> Incidentally, the rise in paddy price was an economic incentive attracting production factors such as labour and capital to Lower Burma and in bringing large areas of waste land in the delta into cultivation. The paddy price ranged from Rs. 110 to Rs. 130 from the beginning of this century until the First World War. It began to rise again towards the end of the 1910s to

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5) Gazetteer of Burma, pp. 460-62

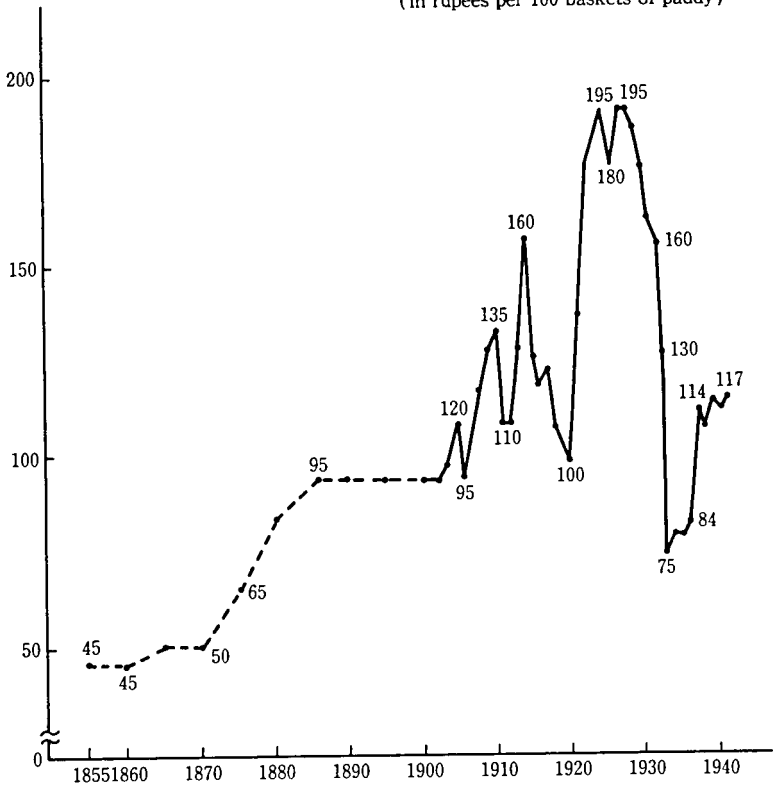
6) U Aye Hlaing, *op. cit.*, p. 9

7) Cheng, *op. cit.*, p. 73

8) Scott, *op. cit.* (Burma, A handbook of. . .), p. 289

**Figure 4-3 The Fluctuations of Paddy Price, 1855-1939.**

(in rupees per 100 baskets of paddy)



Before 1890, figures are taken every five years starting from 1855 and after 1900, they are taken every year.

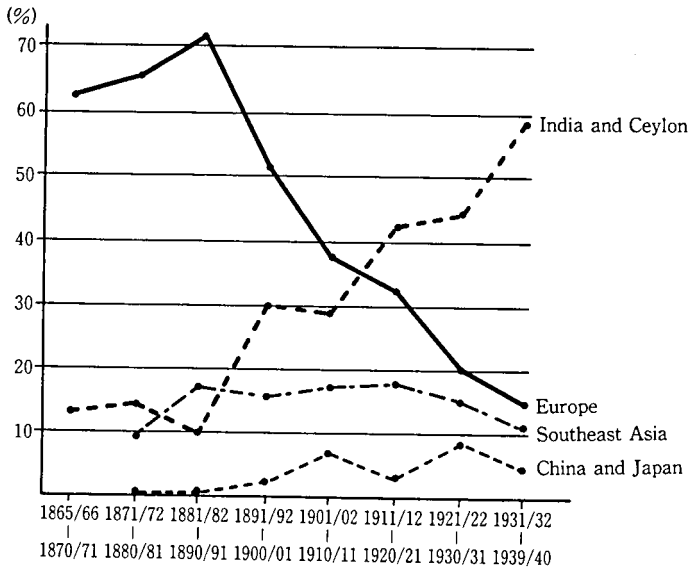
source) Cheng Siok-Hwa, op. cit., p. 73.

Rs. 180-190 by the 1920s. However, it plunged by Rs. 100 to about Rs. 80 during the depression. As a result, a number of farmers lost their lands to moneylenders, especially Chettiar in this period. After that, it barely recovered to Rs. 100 in the latter half of the 1930s.

Most Burmese rice was exported largely to Europe, India, Ceylon, and Southeast Asian countries,<sup>9)</sup> but in the latter half of the 19th century it was the European market which accounted for the largest share. In this

9) Cheng, op. cit., p. 201

**Figure 4-4** Transition in the share of the Destinations of Burmese Rice, 1865/60-70/71~1931/32-39/40



source) Cheng Siok-Hwa, op. cit., p. 201.

period two thirds of rice was destined for Europe, in particular in the 1880s when about 70 % of it went there. In Europe, the importance of colonial products such as tobacco and calico increased from the 17th century with the enlarged colonial settlement; then, at their expense, the importation of new colonial products such as rice, tea and coffee became increasingly important from the middle of the 18th century. Rice was needed mainly as cheap staple food for people and feed for livestock in Europe, where it was imported from Carolina in the United States and Bengal and Madras in India. Burma became a major rice-exporting country in the latter half of the 19th century, when there occurred two important events which accelerated this process; the Sepoy's Mutiny in 1857-8 and the American Civil War in the first half of the 1860s brought about the suspension of the importation of rice from these areas to Europe. Thus Burma was drawn to the attention of traders as a new supplier of rice.

In addition to this, the opening of the Suez Canal in 1869 also gave impetus to the exportation of rice to Europe. Furnivall pointed out that the

opening of the Suez Canal revolutionized the economic relations between East and West and therefore also political and social relations, and that surplus produce was now usually able to find a market.<sup>10</sup> Not only was the export of rice made possible in the form of white rice, but also the exported quantity was increased due to the Suez Canal. As a result, the waste land in the delta was cleared into paddy field very rapidly from the last quarter of the 19th century. The average annual quantity of rice exported to Europe stood at a peak of more than 70 % in the 1880s, but it decreased steadily after that.

Although the opening of the Suez Canal certainly contributed to the increase in the export of Burmese rice, it is questionable that it gave such a great impetus to rice exports as Furnivall asserted. As Aye Hlaing pointed out, only 16 % of rice exported to Europe went through the Suez Canal even in 1878. At that time the exportation of rice was mostly in the form of cargo rice, not white rice. For example, the share of cargo rice was quite high at 80 % in 1881. Therefore, during ten years or so after the opening of the Canal, the quantity of rice exported through it was not as large as to be thought.

In fact, in this period a greater part of Burmese rice was still sent to Europe by way of the Good Hope Cape, because the transportation costs of sailing vessels were cheaper by 10 to 15 shillings per ton than those of steamers.<sup>11</sup> However, the transportation costs of steamers began to decline due to technical progress from the 1880s, so that sailing vessels were replaced gradually by steamers. By the turn of the century most rice was conveyed to Europe by steamers.<sup>12</sup> As a result, the quantity of rice sent to Europe through the Suez Canal increased with 80 % of the rice going to Europe passing through the Canal in 1890. Thus most rice for Europe was sent by steamers by way of the Suez Canal from the last quarter of the 19th century, and this made it possible not only to reduce the travelling time and transportation cost to a considerable extent, but also to send rice in the form of white rice. In the age of sailing vessels, rice was mostly sent in the form of cargo rice (a mixture of milled rice and paddy) which was to prevent a deterioration in taste and flavour resulting from a long journey. In fact, almost all rice mills which were built before 1870

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10) Furnivall, *op. cit.* (An Introduction to. . . ), p. 42

11) U Aye Hlaing, *op. cit.*, pp. 4-9

12) Cheng, *op. cit.*, p. 14

were for milling to cargo rice. The conversion from cargo rice to white rice in transporting had an effect on the development of the rice mill industry in Burma; it brought about the setting up of a large number of rice mills in the main ports.

Although the European markets took more than half of the rice exported from Burma until the beginning of this century, the export of rice for India, Ceylon and Southeast Asian countries increased substantially from the last decade of the 19th century. As a result, the share of the Asian market exceeded that of the European markets after the turn of the century. In particular, India and Ceylon developed into the largest market for Burmese rice. That is to say, the share of India and Ceylon was only a little more than 10 % in the 1880s, but it rose to nearly 30 % in the 1890s and 1900s, about 40 % in the 1910s and 1920s, and to 60 % in the 1930s. After the First World War, the importance of the European markets declined; on the other hand the average annual volume of rice exported to India and Ceylon almost doubled from 900 thousand tons in the 1910s to 1,900 thousand tons in the 1930s. The rice exported to India was largely low-grade rice called Big Mill Special and was for lower income group. Incidentally, from the beginning of this century, parboiled rice was exported more and more; its share was 45 % in India and 96 % in Ceylon in the middle of 1930s.<sup>13)</sup> Thus, the reason for the continuous and high growth rate of rice exports was that the main destination of Burmese rice was changed from Europe to India and Ceylon after the 1900s.

The second most important market in Asia was Southeast Asian countries such as Malaya, Java and Sumatra, followed by Japan and China. As to the economic development in former countries, greater emphasis was laid upon the exploitation of mineral resources such as tin and crude oil and growing cash crops such as rubber, coffee, tea, sugarcane and various spices rather than food production. This meant they had to be, to some extent, dependent on rice imported from neighbouring countries like Burma and Thailand. Rice was consumed chiefly by labourers who worked in the plantations and mines as well as city dwellers. The quantity of rice exported to these countries fluctuated between 300 thousand and 400 thousand tons after the turn of the century. In the meantime, exports to Japan and China began to increase towards the end of the century and accounted for 5 to 10 % of total rice export.

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13) *ibid.*, p. 212

When India, Ceylon, the Southeast Asian countries, Japan and China are taken together, the share of the Asian markets almost equalled that of the European market by the 1890s and after that they exceeded it with an increasingly widened gap. Taking this into consideration, the demand for Burmese rice coming from the Asian markets contributed as much or much more to the clearing of waste land in the delta as the increased demand from the European markets due to the opening of the Suez Canal.

It was exclusively foreigners who dominated foreign trade. For example, European merchants and firms accounted for 90 % of the rice export for Europe and Cuba, 60 % for Japan, 40 % for China, 35 % for Ceylon, 35 % for Mauritius, 100 % for South Africa, 5 % for East Africa and 10 % for Java. However, the export business for India, Ceylon, Java and East Africa was largely in the hands of Indian traders.<sup>14)</sup> Andrus points out that nearly half the rice exported to India was dealt by them.<sup>15)</sup> On the other hand, the export markets of Southeast Asia and the Straits Settlements, which constituted more than 10 % of total exports, were mainly controlled by Chinese merchants. Harvey states, "Indian firms had a large share in the trade to India, Chinese firms in the trade to Malaya and China. But the largest single group consisted of a few British firms which not only handled much of the above trade and all the trade to Europe but also acted as agents for the main shipping lines (which helped them to arrange freight), and they milled a third of the whole export crop (which helped them to influence the price paid in the interior)."<sup>16)</sup> Thus, Burmese people were excluded completely from this business, which was monopolised by foreigners or foreign firms.

## Timber

Timber, in particular teak was also an important export. As mentioned previously, in the era of the Konbaung dynasty the export of rice was prohibited. Teak was allowed to be exported mainly in the shape of ship or plank with a 5 % export tax.<sup>17)</sup> Of course, it was after the annexation of Arakan and Tenasserim in 1826 that teak was exploited for export on a large scale. The timber, which was extracted in the Shan State, Karen and

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14) Intrem Report, p. 69

15) Andrus, op. cit., p. 163

16) Harvey G. E., *British Rule in Burma 1824-1940*. London, 1946. p. 60

17) Scott, op. cit. (*Burma, A Handbook of . . .*), p. 291

Siam and conveyed through the Salween River came to Moulmein. The revenue coming from teak rose rapidly from Rs. 20 thousand in 1836 to Rs. 200 thousand in 1855-6. The quantity of exported teak rose from 29 thousand tons in 1856 to 48 thousand tons in 1866 and 123 thousand tons in 1877-8.<sup>18)</sup> However, the importance of Moulmein as a port exporting teak decreased owing to indiscriminate felling; on the other hand that of Rangoon was enhanced because the exploitation of forests in the basin along the Irrawaddy River made much progress after the annexation of Pegu. Until the turn of the century Moulmein kept the first position regarding the export of teak, but after that it was replaced by Rangoon.<sup>19)</sup>

Until the turn of the century, teak exports grew smoothly to more than 200 thousand tons and they were actually the second most important export next to rice, accounting for more than 10 % of total exports. But after the beginning of the century, it became difficult to increase teak exports further and in fact the volume of exported teak moved between 150 thousand tons and 200 thousand tons after that. As a result, the relative importance of teak among the chief export declined and the share of teak to total exports was surpassed by that of oil products at the beginning of this century and by that of non-ferrous metals in the early 1930s. Maung Shein points out the following reasons for this decline. Firstly, teak was increasingly replaced by other timbers due to its high prices resulting from the diminishing supply of good teak caused by the continued extraction. Secondly, the competition with Thai teak was getting more and more intense in India, Ceylon and Europe, which were traditionally major markets of Burmese teak.<sup>20)</sup>

As noted above, most teak exported from Burma went to India and Europe. In particular, India was the largest importer of Burmese teak, constituting 63 % to 73 % of the total exported teak from the second half of the 1880s until the First World War,<sup>21)</sup> rising to about 80 % in the period from the second half of the 1910s to the first half of the 1930s. In India, Burmese teak was used for railway sleepers, boxes for packing tea and pipe staves. Next to India, Britain was ranked second, accounting for a considerable part of the remaining share. The teak exported to Britain was of

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18) Gazetteer of Burma, p. 461

19) Scott, *op. cit.* (Burma, A handbook of. . .), pp. 291-3

20) Maung Shein, *op. cit.*, pp. 168-70

21) *ibid.*, 163

better quality, and was used in the railway and shipbuilding industries. The export of other timbers than teak also increased from the end of the century. For example, the Bombay Burmah Trading Company began to supply hard wood called Pyinkado for the railway companies in India and Burma.<sup>22)</sup> The exported volume of other timber increased by nearly 70 % from 19 thousand tons in 1909-14 to 32 thousand tons in 1924-29. But it was relatively small, compared to that of teak.<sup>23)</sup>

### Oil products and non-ferrous metal

The export of oil products grew rapidly from the end of the last century because of a marked increase in production in the oilfields of Yenangyaung by the Burma Oil Company which adopted such modern techniques as machine drilling. The oil produced in the oilfields of Upper Burma was sent by pipe-line to the oil refinery located in Syrium to be refined into oil products. The share of oil products to total exports rose sharply from the last decade of the 19th century to about 10 % in the first half of the 1900s and continued to grow. It remained less than 20 % until the second half of the 1920s, then jumped to around 30 % in the 1930s partly because of the sharp fall of rice exports in this period, partly because of the continued increase in oil product exports despite the severe depression. In this way,

**Table 4-1** Production of Crude Oil and Export of Oil Products, 1898/99-1938/39.

Period	Production (1,000 gallons) (Crude Oil)	Export of Kerosene	Export of Motor-sprit (1,000 gals)	Export of Paraffin Wax (1,000 tons)
1898/99	21,578	—	—	—
1903/04	85,329	—	—	—
1908/09	173,000	—	—	—
1913/14	273,000	—	—	—
1918/19	—	—	—	—
1923/24	271,400	132,260	31,270	24.2
1928/29	262,187	110,760	43,060	47.6
1933/34	249,000	122,590	48,080	49.7
1938/39	263,800	126,330	50,890	39.6

source) Department of Economics, op. cit., p. 23.

22) The Forest of Burma, p. 44

23) Department of Economics (University of Rangoon), op. cit., p. 21



from the beginning of this century, oil products began to replace teak as the second largest export.

About four fifths of oil products produced in Burma went to India, where half the requirements for oil products were met by Burmese oil. The BOC had established a monopolistic status by 1904, driving out foreign oil products from the huge Indian market. The proportion of Burmese oil products to the oil consumption in India was 34 % in 1904-5, 43 % in 1925-6 and 35 % in 1935-6.<sup>24)</sup> At that time, the main oil products refined from crude oil were kerosene, motor-spirit and paraffin wax. Among them, kerosene, which was used mainly for lighting was most important. At first, during the 1880s it was imported largely from the United States to Burma, with the increase in oil production in Burma from the 1890s but the imported kerosene was replaced gradually by a domestic one, and before long Burma began to export it. The volume of kerosene exported from Burma was only 114 thousand gallons in 1894-5, less than 10 % of its imported quantity. None the less, as a result of the rapid progress of oil production, kerosene exports exceeded imports by 1897-8 and from then increased at a tremendous speed to 106 million gallons in 1913, reaching 132 million gallons in 1923-4.<sup>25)</sup> In this way, almost half kerosene consumed in India was supplied by Burmese kerosene. The export of kerosene to foreign countries was of less importance except during the early period of this century.

Among other oil products, motor-spirit or petrol grew increasingly to be an important export after the turn of the century. Although the exported volume of motor-spirit was only 3.9 million gallons in 1914-5, it rose rapidly to 31 million gallons in 1923-4 and more than 50 million gallons in 1938-39.<sup>26)</sup> Like kerosene, most of it was shipped to India. The export of paraffin wax was much smaller than that of kerosene and motor-spirit. Paraffin was used for manufacturing candles and exported in its raw form chiefly to foreign countries. However India bought candles themselves from Burma, for which there was great demand both for lightening and religious purposes in Burma.<sup>27)</sup>

Burma was rich in mineral resources, especially non-ferrous metals such as tin, wolfram, lead, silver and zinc. All these resources were taken over by

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24) Raja Segaran Arumugam, *op. cit.*, pp. 5-6

25) Maung Shein, *op. cit.*, pp. 168-70

26) Department of Economics (University of Rangoon), *op. cit.*, p. 23

27) Maung Shein, *op. cit.*, p. 171-4

the government and were made state property after the colonization of Burma. The government leased out mines to private companies to be developed, and provided them with favourable conditions from the early period of its rule. In 1870, two European tin-mining companies were set up, but both went bankrupt. In those days, generally speaking, not only the prices of non-ferrous metals were cheap, but also the transportation, such as railway to convey the ores was less developed. In colonial times, except in small mines, almost all mining companies were established by the Europeans, although the number of successful ones was very limited before the First World War, which brought about great demand for Burmese non-ferrous metals and made the growth of mining companies in Burma possible. The most important mine was the Bawdwin Mine operated by the Burma Corporation, which produced lead, silver, copper, zinc, iron and nickel. In addition, the mine at Mawchi was also important, producing tin and tungsten.

It was during and after the First World War that the export of mineral products other than oil assumed importance. The exported value of non-ferrous metals was only Rs. 1.3 million in 1910, but after the outbreak of the War it rose rapidly to about Rs. 16 million on average in 1915-20, Rs. 28 million in 1920-5 and Rs. 46 million in 1925-30. The share of non-ferrous metals to total exports rose from a negligible level before the War to about 7 % in the second half of the 1920s, when they became the third largest exporting commodity, surpassing teak.<sup>28)</sup> Demand for lead was largely from Britain, while tin went mostly to India.

## 2 Structure of imports

Imports also expanded considerably alongside the remarkable increase in exports during colonial times. The value of imports was only Rs. 24 million on average in the latter half of the 1860s, but it quadrupled to nearly Rs. 100 million by the latter half of the 1890s. In this period, the average yearly growth rate of imports was almost 4.7 %. Furthermore, after the beginning of this century, imports continued to rise to more than Rs. 200 million in the first half of the 1910s and to nearly Rs. 400 million in the 1920s. However, it declined sharply to Rs. 216 million during the depression in the first half of the 1930s, to almost the same level as just before the First World War. Thus, there is no doubt that imports greatly increased in

28) U Aye Hlaing, op. cit., p. 38

parallel with exports till the depression of the early 1930s. However as they were always much less than exports, Burma constantly showed a huge trade surplus.

There were some reasons for the marked increase in imports. Firstly, the growing income of people caused by the economic development made it possible to import more commodities from foreign countries and India. Secondly, the changes in the patterns of life-style or consumption brought about by the increased incomes, influences of urbanization and Western culture and the inflow of the Indians and the Europeans, created additional demand for the imported goods. In general, goods with a high elasticity of income were largely dependent on importation. Thirdly, as already mentioned before, Burma specialised in the production of a few goods for export, so that an economy heavily biased towards agriculture was created. This can be called a mono-cultured economy. As a result, most industrial and manufactured goods had to be imported. For Burma, the progress of the international division of labour meant the formation of the mono-cultured economy, making Burma a market for goods produced mainly in Britain and India.

Now let us look into the structure of imports. Among imported goods, consumer goods were at all times much larger than producer goods and as a rule, accounted for approximately two thirds of total imports.<sup>29)</sup> The principal imported items were textile, foodstuffs and others. For example, in 1898-9 the imported value of textiles was Rs. 26 million, which constituted 26.7 % of total imports and 40 % of the total importation of consumer goods. The chief textile goods were cotton yarn and piece-goods of cotton, silk and wool. Other major consumer goods were foodstuffs, which accounted for one quarter of total imports. The imported value of foodstuffs was Rs. 30 million in 1898-9, accounting for 31.7 % and 47.3 % of total imports and imported consumer goods respectively. The main imported foodstuffs were edible oil, salt, salted fish, wheat, pulses, alcohol, sugar, biscuit and condensed milk and so on. Edible oil used much for Burmese cooking was one of the major imported foodstuffs, but its import declined due to the increased production of groundnuts in Upper Burma.<sup>30)</sup> The domestic production of salt also decreased as it was imported increasingly.

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29) Department of Economics (University of Rangoon), *op. cit.*, p. 33

30) The Economic and Social Board (Office of Prime Minister), *A Study of the Social and Economic History of Burma (Part 5)*. Rangoon, 1957. p. 57

**Table 4-2** Composition of Imported Consumer and Producer Goods, 1868/69-1933/34.

(%)

year	consumer goods	producer goods	others
1868/69	67.6	30.5	1.9
1872/73	67.7	30.1	2.2
1883/84	65.3	31.4	1.3
1893/94	67.7	28.3	4.0
1903/04	63.8	33.0	3.2
1913/14	66.2	30.9	7.9
1923/24	57.1	39.0	3.9
1933/34	61.7	34.4	3.9

source) Department of Economics (Rangoon University), op. cit., p. 33.

Wheat and pulses were supplied mainly for the growing Indian population. As a matter of fact it is estimated that half of wheat was consumed by Indian people.<sup>31)</sup> Owing to the change in the consumption pattern, the custom of drinking beer, alcohol and tea spread among Burmese people. Besides textiles and foodstuffs, other main imported goods were porcelain, lacquerware, boots and shoes and cigarettes. The imported porcelain was getting more dominant, taking the place of that produced in Burma. The number of people wearing boots and shoes in the cities and larger villages was on the increase and the import of them rose from less than 200 thousand pairs to about one million pairs in 1913-4. The import of cigarettes also rose to 600 thousand pounds in the same year.<sup>32)</sup>

In addition to consumer goods such as foodstuffs and textiles, Burma had to buy from abroad almost all producer goods, which accounted for nearly one third. The economic development of Burma was brought about largely by the progress of agriculture and the exploitation of natural resources such as timber, crude oil and other minerals. Thus, neither light industries nor industries to produce capital or producer goods were established. Therefore, such producer goods as machinery, plants, spare parts, tools, fertilizer, rail, locomotives, energy goods (coal) and so forth, which were demanded in economic sectors such as industry (for example, rice and timber mills and oil refinery), agriculture and transportation were all im-

31) *ibid.*, pp. 56-8

32) Furnivall, op. cit. (*Colonial Policy...*), p. 101

ported. However the importation of producer goods relating to agriculture was small on account of little use of modern inputs<sup>33)</sup> except for gunny-bags imported from Bengal and amounted to Rs. 7 million in 1901. Corresponding to the pattern of the economic development, the structure of imports was rather for consumption than for capital accumulation.

Both Britain and India had an overwhelming share of Burma's imports.<sup>34)</sup> For example, they were responsible for about 90 % of total imports in the 1860s and the mid 1870s. After that their share declined to 76.4 % in 1903-4 and 70 % in 1925-6. Throughout the colonial period, India was the largest exporter to Burma, with a share of 40 % to 50 %, including British goods sent to Burma by way of India. The share of Britain was around one third until the First World War, but it fell to 27. 5 % in 1925-6 and 20 % in 1931-2 respectively. This is more if British goods re-exported from India are taken into consideration. Other main countries from which Burma imported were the Straits Settlements, Germany, Belgium, France, United States and Japan.<sup>35)</sup>

In order to study imports in more detail, we look into the foreign and coasting trade separately. Table 4-3 shows the imported amounts of each trade for selected years from 1886 to 1905. Treasure was brought into Burma largely to balance the trade surplus. However for present purposes, we will confine our interest to the merchandise trade. Total imports in the foreign and coasting trade were Rs. 67 million in 1886 and rose strikingly by more than Rs. 100 million to Rs. 170 million in 1905.

At first, we will consider the imports in the foreign trade. The main classes of merchandise imported into Burma in this trade were food and drink, metal and manufactures of metals and manufactured and partly manufactured articles. As of 1905, these three occupied more than 90 % of total foreign imports. On the other hand, the importation of raw materials was quite small with a value of Rs. 3 million, which may reflect the low degree of Burma's industrialization. Among manufactured and partly manufactured articles, the most important were textile goods such as cotton twist and yarn, cotton piece-goods, raw silk, silk piece-goods, manufactures of wool and clothes, which as a whole accounted for nearly 50 % of imports in the foreign trade in 1905. In particular, cotton piece-goods were

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33) U Aye Hlaing, op. cit., p. 39

34) Department of Economics (University of Rangoon), op. cit., p. 32

35) Ireland, op. cit., p. 803

**Table 4-3** Imports by Foreign and Coasting Trade, 1886-1905.

(in million rupees)

year	Foreign trade	Coasting trade	total
1886	34.4	49.4	83.8
	34.2	33.0	67.2
1890	54.7	48.6	103.3
	54.5	41.1	95.6
1895	35.2	61.4	96.6
	34.7	48.6	83.3
1900	49.2	76.7	125.9
	48.7	59.4	108.1
1905	91.4	88.7	180.1
	89.1	81.5	170.6

The upper and lower figure for each year represents the value of merchandise and treasure and that of just merchandise respectively.

source) Ireland, The Province of Burma., pp. 800-801.

the largest item, whose imported value doubled from Rs. 10 million in 1896 to Rs. 21 million in 1905. With respect to textile goods in the foreign trade, cotton twist and yarn was the second largest article, but its import followed a downward trend in this period from Rs. 4.7 million to Rs. 3.2 million, perhaps being replaced by goods made in India. The import of food and drink constituted almost one fifth of the total imported in the foreign trade. The principal items were provisions (butter, cheese, biscuit, etc.), sugar, spirits, salt, ale, beer and so on. The imported alcohol was mainly for foreigners. However, it was imports of metals and manufactures of metals that showed the highest growth rate, trebling in about ten years from Rs. 5.2 million in 1896 to Rs. 17.5 million in 1905, when their share of foreign imports reached nearly 20%. Especially, the import of metals increased greatly from less than Rs. 3 million in 1886 to more than Rs. 10 million in 1904 and 1905, for which the demand came chiefly from railways and construction. Machinery was also imported increasingly, but the absolute value was less than Rs. 4 million in 1905.<sup>36)</sup>

The principal partners of Burma's import in the foreign trade were Britain, Germany, the Straits Settlements. Britain was the largest accounting

36) *ibid.*, pp. 805-7

for about three quarters of imports in the foreign trade in 1886. After that, as a result of the increase in imports into Burma from Germany, the Straits Settlements and Japan, the British share declined to about 60 % in 1905. Britain was followed by the Straits Settlements of Penan, Malacca and Singapore; the value of imports from there was Rs. 11.6 million in 1905, accounting for 13 % of foreign imports. However, a large portion of the imports from the Straits Settlements came originally from China. Among European countries other than Britain, Germany was important and the value of imports from there was more than Rs. 5 million in 1905, although this was only one tenth of that of Britain. However this figure would rise if it included the amount sent through Belgium and Holland from Germany.<sup>37)</sup>

As noted above, the most important partners in the foreign trade were European countries, especially Britain and Germany. With the economic development of Burma, British ships came to visit to Burma frequently. They brought in foreign goods to Burma and took products of Burma on their way back home. After the opening of the Suez Cannal until the First World War, several regular lines were also established between Burma and Europe and between Burma and Asian countries by British, Germany and Japanese companies. In addition to steamers, sailing vessels still took an active part in the foreign trade in the latter half of the 19th century, accounting for about 40 % of the tonnage of foreign shipping in the late 1880s.<sup>38)</sup> However, they were increasingly replaced by steamers, so that almost all foreign shipping was conducted by the latter by the early 1910s.

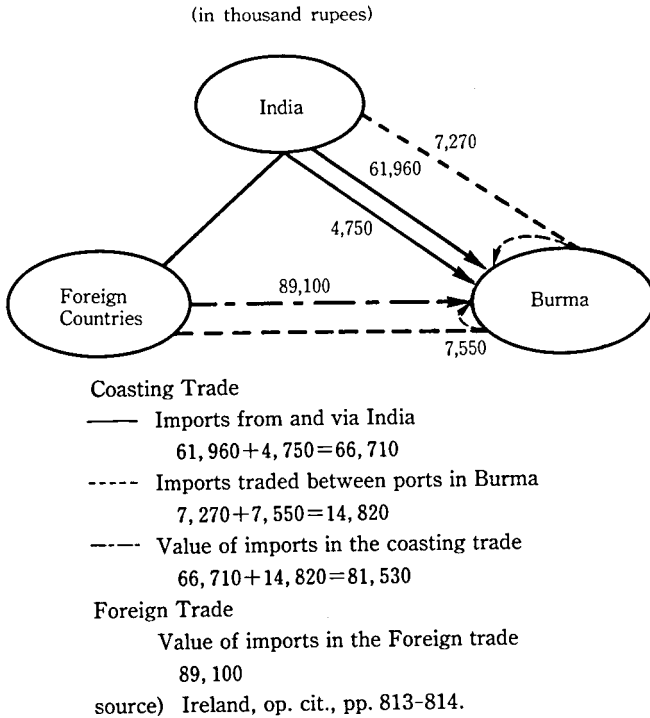
Next let us move to imports in the coasting trade, which are more complicated than its exports. The term "coasting trade" is used to include not only the trade between the ports in the province of Burma, but also between the ports in Burma and ports in India proper. In 1904-5, imports in the coasting trade amounted to Rs. 81.53 million, which is the sum of Rs. 66.71 million in imports to ports in Burma from ports in India and Rs. 14.82 million between ports in the province of Burma itself. But the figure of the former includes the import of foreign goods sent to Burma by way of India, a total of Rs. 4.75 million; therefore imports of Indian goods to ports in Burma actually amounted to only Rs. 61.96 million. However, imports in the inter-portal trade within the province amounted to Rs. 7.27 million for

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37) *ibid.*, pp. 802-4

38) Maung Shein, *op. cit.*, p. 112

**Figure 4—5 Imports in Foreign and Coasting Trade, 1905.**



Indian goods and Rs. 7.55 million for foreign goods. Thus, in the coasting trade, the import of Indian goods amounted to Rs. 69.22 million or 85 % of total imports, while foreign goods amounted to Rs. 12.3 million or 15 %. Incidentally, the import of Indian goods was about Rs. 23 million in 1886 and then it trebled in the following twenty years. Nearly 60 % of imports in the coasting trade came from Bengal in 1905, followed by Madras and Bombay whose share was 23 % and 13 % respectively.<sup>39)</sup>

Among the main imported articles in the coasting trade were gunny bags, textile goods, foodstuffs. The largest imported item was gunny bags made of jute which were all imported from Bengal and used for packing rice. The imported value of jute was Rs. 8.9 million in 1905, which accounted

39) Ireland op. cit., pp. 811-5



for 12.8 % of the total import of Indian produce (Rs. 69.22 million) in the coasting trade. Jute was little grown in Burma in spite of the favourable natural conditions for it, because the greater part of the labour force in Burma was absorbed largely in rice cultivation. The import of foodstuffs, as a whole, constituted nearly one third of imported Indian produce. This included provisions, vegetable oils, spices, wheat flour, fresh vegetables, pulses and sugar. The main provisions were butter, cheese, dried fruits, vegetables, dried fish and so on, whose imported value, as a whole, amounted to less than Rs. 7 million. Furthermore, it is noteworthy that the import of vegetable oil and spices was worth more than Rs. 5 million in 1905. Vegetable oil was a product of ground-nut, sessamum and coconut, and was used mainly for cooking. The most important spice was betel-nut, a fruit of the areca palm, representing more than 90 % of the total value of spice imports, and was used as a masticatory by the Burmese people.

In addition, textile goods comprising mainly cotton twist and yarn and cotton manufactures were also major imports in the coasting trade with a combined value of about Rs. 10.5 million in 1905, including Rs. 2.5 million from foreign textile goods re-exported to Burma via India. In terms of cotton twist and yarn, more Indian produce was imported than British in that year. In contrast, British cotton piece-goods were much more dominant than Indian piece-goods in Burma. For example, the imported value of the former was Rs. 21.3 million in 1905, while that of the latter was only Rs. 4 million; this represented less than one fifth of the former. Thus, the local textile industry in Burma was affected by not only British, but also Indian textile goods. Finally, the import of coal and coke was less significant accounting for about Rs. 4 million in 1905. Nevertheless, its growth rate was striking.<sup>40)</sup>

Most shipping in the coasting trade was dealt by the British India Navigation Company, whose parent company was the Calcutta and Burma Steam Navigation Company which performed the government mail contract between Calcutta and Rangoon. The company ran regular steamers between Calcutta, Madras and the main ports in Burma, as well as between ports within Burma. Regular lines were opened between Calcutta and Moulmein via Akyab and Rangoon, and also between Calcutta and Singapore via Rangoon and Tenasserim. Furthermore, other lines were opened between Madras and Rangoon, Rangoon and the Andaman Islands, Akyab and San-40) *ibid.*, pp. 815-8

doway, and Akyab and Rangoon. Thus, Burma and India were firmly tied each other by the steamer services as well as the overland route, so that the exchange of people and goods between both areas was intensified. What is more, the reduction of passenger fares contributed to the promotion of the seasonal or permanent immigration of labourers from India.

### **3 Balance of payment and foreign remittance**

As we have already made clear, there is no doubt that external trade, above all, exports played a major role in the economic development of Burma in colonial times. And it had an very important position in the economy all the way through this period. This can be seen in the fact that the foreign trade ratio, which adds exports to import and then divides by national income (in our case, Net Domestic Products, NDP) was constantly very high, with more than 60 % of NDP on average. In addition, exports were always much higher than imports, showing a huge trade surplus which represented 15-20 % of NDP except for the 1930s, which showed much higher percentage.<sup>41)</sup> This tremendous trade surplus or net exports (exports minus imports) contributed obviously to the increase in national income. Such an open economy was one of the striking features of the economy of Burma in that period.

However we cannot clarify the complete structure of the balance of payment because of the lack of informations and systematic statistics relating especially to the non-trade balance and capital transactions. Although many are interested in this problem, namely how much money was remitted each year by foreigners and foreign companies, only very limited and fragmentary data were left. However, owing to the study of Ady and U Aye Hlaing, we can know the rough figures regarding the current account as of 1938-39.<sup>42)</sup> But substantial differences are seen between the figures of Ady and those of U Aye Hlaing. Their figures are shown in Table 4-4. With respect to the balance of current transactions, Ady's figure shows a surplus of Rs. 157 million, while U Aye Hlaing estimates it at only Rs. 60 million. This big difference comes largely from discrepancies in investment income to Burma (net) and private donation to Burma (net). In other words, the amount of foreign remittance which U Aye Hlaing estimated was much larger than Ady's estimation. He estimated the sum of the net investment

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41) U Aye Hlaing, op. cit., p. 38-40

42) *ibid.*, pp. 47-9

**Table 4-4** Balance of Current Transactions, 1938/39.

(Rs. million)	Ady	Aye Hlaing
balance of trade	270	297
investment income to Burma (net)	-85	-140
donation of Burma		
private (net)	-10	-75
public (net)		
other payments (net)	-18	-25
balance of current transactions	157	60

source) U Aye Hlaing, op. cit. pp. 47-49.

income at Rs. 140 million, obtained by adding Rs. 50 million of Chettiars' transfer to Rs. 94 million of business transfer. It will be useful to look into the grounds for these figures. Chettiars' transfer was derived from 10 % of Chettiars' capital (Rs. 500 million). Business transfer was calculated by multiplying each investment by a foreign company with the weighted assumed rates of transfer. This calculation is shown below.

Company	Investment (£ million)	Assumed rate of transfer	Estimated amount of transfer (£ million)
Oil companies	16.0	20 %	$16.0 \times 0.2 = 3.20$
Other mining com- panies	15.0	15 %	$15.0 \times 0.15 = 2.25$
Other companies	16.2	10 %	$16.2 \times 0.1 = 1.62$
Total	47.2		<u>7.07</u>

Converting at the foreign exchange rate of pounds to rupee, £ 7.07 million was almost equivalent to Rs. 94 million.

As for the donation to Burma, he estimated the sum to be Rs. 75 million, the breakdown of which was Rs. 40 million of Indian remittances, Rs. 8 million of Chinese and Rs. 30 million of European. Indian remittances were conjectured on the basis of the family budget data of Bennison, but the grounds for other figures of Chinese and European remittances are not shown. Other payments include payment of interest and debts by the government, superannuation allowances, pension and salaries paid abroad and some minor payments.

Although we notice that some of the above figures were based in rough estimations, we do not have enough data and information to judge how accurate these figures are. However, it is apparent that a great deal of money undoubtedly went out of Burma as overseas remittances of profits, wages, salaries and others. Ady and U Aye Hlaing estimated this amount to be Rs. 113 million and Rs. 240 million respectively. The former was equivalent to 12 % of Rs. 937 million of national income (NDP) in 1938-39, while the latter 25 % of that.<sup>43)</sup> No matter how we interpret their figures, it is no doubt that a huge sum of money was sent back to their home countries by Indians, Europeans and the Chinese. Thus, a considerable part of the trade surplus was set off by their remittances.

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43) *ibid.*, p. 150

## Chapter 5

# The System and Structure of Public Finance

The establishment of a firm regime was vital to economic development. Rule by law was introduced and the administrative machinery, the judicial system as well as the police and military systems were created. For the purpose of expediting economic development, a social infrastructure was created, including railway, road, port, irrigation and drainage facilities, canal and embankment. Needless to say, plenty of fiscal funds was needed to carry out these plans. Therefore, it was an important task of the colonial government to set up a financial system as soon as possible to meet the growing expenditure. Throughout the colonial period, most government revenue came from land revenue and tariffs. This is closely related to the fact that agriculture and external trade played a major role in the economic development of Burma. On the other hand, a greater part of government expenditure went to the general administration of law and order and revenue collection, while only a small fraction of the public budget was spent on the material bases conducive to economic growth. This was the first feature of the government expenditure.

When analysing public finance in Burma, it is very important to take its relationship with India into consideration. As was noted previously, Burma was ruled administratively as part of India, so that Burma was the local government for India and in turn the Government of India was the central government for Burma. Then, Burma was forced to incur a heavy financial burden for the Government of India. Accordingly, fiscal reform of public finance in Burma meant not only giving it financial independence from the strict restrictions set by the Government of India, but also reducing its financial burden to the central government.

In this chapter we will take up three main points; the relationship between public finance in Burma and the Government of India, the structure of government revenue and its principal revenue sources and the structure of expenditure and its issues.

### 1 Change in the financial system

Public finance of Burma in colonial times until separation from India can be divided into three stages. These were the periods before and after the in-

roduction of the Provincial Contract System and period between 1921 and 1937 when the Devolution Rule was applied to Burma. During the first period, public finance of Burma was subject to the strict control of the Government of India, but with the application of the Devolution Rule the independence of the provincial finance was encouraged somewhat by the transfer of several important fiscal resources from the central government to the local government.

It was after the formation of British Burma in 1862 that a more effective public financial system was set up and government revenue began to gradually increase. However the politically low position of Burma was reflected in the public finance of Burma, which was almost totally controlled by the central government, particularly during the 1860s and 1870s. Matters relating to public finance were seldom left to Burma's own discretion. In fact, the Government of Burma was not given the administrative right to decide how to raise revenue and how to use it. According to U Aye Hlaing, even its budget was formulated in India, usually by people who did not know much about the conditions and requirements of Burma. Thus, Burma had a hold on neither its own budget nor public finance. It was said that at that time local administration did exist, but in theory and in practice the local government did not exist in Burma. In fact, the Government of Burma meant the Governor-General in Council in India. This state lasted until 1897 when a legislative council was finally set up in Burma.<sup>1)</sup>

Such a subordinate relationship of local governments to the central government was true not only of Burma but also of other provinces of India. However, some problems arose. Firstly, no one expected to a fair allocation of the budget among the provinces, in fact the larger portion of the budget went to the more powerful provinces. Secondly, there was little encouragement for local governments to reduce expenditure and to increase revenue. Thirdly, as this system was highly centralized, it was difficult for each provincial government to allocate its budget appropriately.<sup>2)</sup> Decentralization from the Government of India was first contemplated in 1870-1, and was referred to as the decentralization system of Lord Mayo. This change meant that provincial governments were given responsibility for some administrative work. This included jails, registration, police force,

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1) U Aye Hlaing, "Public Finance and Public Policy in Burma, 1870-1940". The Journal of the Burma Research Society (Dec. 1973). pp. 1-2

2) *ibid.*, p. 2

education, medicine, printing, roads, public buildings and other public improvements. However Burma could little benefit from this new financial system, because in effect it was only a minor administrative change.<sup>3)</sup>

In order to increase revenue, so economizing on expenditure and making public finance more efficient, the Provincial Contract System was introduced in 1878-9. To achieve these aims, local governments were given more administrative power and responsibility. As a result, while some of the civil heads such as the army, post office, telegraph, metrological and political accounts, remittance of treasury and bills of exchange for example, were still classified as imperial, all other financial heads were still classified as provincial. The provincial government received a fixed portion of revenue for its own requirements, while the remaining portion went to the Government of India for imperial purposes. This contract was entered into every five years starting from April 1878. Each time the divided proportion was reviewed and revised.<sup>4)</sup> For example, the imperial share of land revenue, the most important source of revenue changed from 5/6 in 1878 to 2/3 in 1882 and 1887, 3/4 in 1892, 1/3 in 1897, 1/2 in 1902 and 1907 and 3/8 in 1911. Generally speaking, the divided proportions were unfavourable for Burma especially in the last quarter of the 19th century. Nisbet states, "For some years before the annexation of Ava, Lower Burma had each year to hand over to the Government of India more than a crore of rupees (£ 666, 666); and this gave rise to the outcry of merchants that British Burma was being made a 'milch cow' for India, and that money which ought to have been spent on roads, railways, and other communications in Burma was being misappropriated through bestowal on other provinces."<sup>5)</sup> In fact, during a few last decades of the 19th century on average, almost half of revenue receipts under the Provincial Contract System went to the central government.<sup>6)</sup> However since the beginning of this century, the central government's share in revenue receipts declined to about one third of the total by the middle of the 1920s, mainly due to the reduced imperial share of land revenue. Nevertheless, the amount of revenue received by the central government from Burma increased by 66 % during the first two

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3) Anstey V., *The Economic Development of India*. London, 1936. p. 367

4) Dr. Shein, Daw Myint Myint Thant and Daw Tin Tin Sein, "Provincial Contract System of British Indian Empire, in relation to Burma— A Case of Fiscal Exploitation". *The Journal of Burma Research Society* (Dec. 1969). p. 4

5) Nisbet, *op. cit.*, p. 260

6) see the next page.

decades of this century because it was still a period of the remarkable economic expansion.

It is clear that Burma was obliged to bear the heavy financial burden of the central government which took a half to one third of this revenue. The Provincial Contract System was supposed to promote the decentralization of government functions, but as Anstey points out, it was not the decentralization of power, but that of administration which this system brought about.<sup>7)</sup>

Meanwhile, a legislative Council was established in 1897 to advise the Lieutenant-Governor on drafting local legislation. Its power and functions were very limited. Legislative power was imposed only on provincial matters such as security and public utilities. In addition, even putting a question about general administration and public finance was frowned upon. With the adaptation of the Morley-Minto Reform to Burma in 1909, questioning the Province of Burma's budget was just admitted. In 1914, in order to get India's cooperation with the war, the Secretary of State for India, Montagu, announced in the British Parliament that Britain was ready to give self-government to India. Some years later, this led to the implementation of the Government of India Act 1919. The reform was known as the Montagu-Chelmsford Reform and was put into force in India in 1921. However at that time Burma was excluded from this reform, although it was still one of provinces under the Government of India. The most important change in this reform was the introduction of the dyarchy system. All administrative functions were redistributed between central and provincial governments and all provincial matters were divided into reserved subjects and transferred subjects. The subjects under the control of the central government were defence, political matters, railways and so on. Pro-

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6) Gross revenue receipts amounting to 1,820 thousand in 1885-6 were alloted as follows.

	(£ thousand)
(1) the imperial net surplus share after deduction of expenditure for liabilities	743
(2) provincial receipts	828
(3) local and municipal rates (excluded from the terms of the provincial contract)	249
(4) total	1,820

Nisbet op. cit., p. 260

7) Anstey, op. cit., p. 369



vincial governments dealt with reserved subjects including irrigation and land revenue and so on. These were under the control of the governor, who was responsible to the Governor-General of India. Transferred subjects included local self-government, health, education etc. and were under the control of ministers dependent upon and responsible to the elected representatives of the people in the Provincial Legislature.<sup>8)</sup>

Before the end of the First World War, Britain had promised Burma that it would consider the enactment of a constitution and the fiscal reform. The Meston Committee was formed to review these issues. This committee carried out the fiscal reform in line with the Government of India Act 1919, which aimed to enhance the independence of provincial governments as far as public finance was concerned. As a result, the Devolution Rule was introduced in April 1921, which separated the revenue and expenditure of central and provincial governments and abolished the divided heads under the Provincial Contract System. While the principal heads classified as imperial were customs, income tax, salt and opium, all the other heads were transferred to the Province of Burma and classified as provincial; that was land revenue, irrigation, excise, forestry, stamp duty, registration and so on. However, in order to make up for the decrease in revenue receipts resulting from the transfer of important revenue heads to the Province of Burma, the Government of India required Burma to pay a contribution of Rs. 6.4 million annually, which was reduced to about Rs. 5 million in 1926-7.<sup>9)</sup>

Nevertheless, as many writers have demonstrated, even after the adaptation of the dyarchy system to Burma in 1923, the Government of India continued to exercise a high degree of control over the Government of

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8) Main heads of the central government and the provincial government were as follows; The central government: defence, political matters, railways, posts and telegraph, customs, income-tax, salt tax, currency, public debt, mines, the central police, the collection of statistics and records, commerce and industry and all other matters not included in the list of provincial subjects

The provincial government: reserved subjects; irrigation, land revenue, famine relief, the administration of justice and police, certain industrial matters, and a number of miscellaneous minor matters.

transferred subjects; local self-government, medical administration, public health and sanitation, education, roads, tramways, agriculture and fisheries, co-operation, excise, and a number of minor miscellaneous matters. *ibid.*, pp. 369-70

9) Dr. Shein and others, *op. cit.*, p. 6

**Table 5-1** The Imperial Share in the Gross Revenue and Expenditure of Burma, 1878/79-1934/35.

(in million rupees)

Annual Averages of the Years (1)	Gross Revenue of Burma (2)	Imperial share of revenue (3)	Total Expenditure of Burma (4)	Imperial share of Expenditure (5)	Imperial "Surplus" Revenue (3)-(5) (6)
1878/9 to 1881/2	25.8	12.2	n.a.	n.a.	n.a.
1882/3 to 1886/7	30.8	14.4	n.a.	n.a.	n.a.
1887/8 to 1891/2	48.7	27.8	41.6	20.8	7.0
1892/3 to 1896/7	62.1	34.3	46.6	18.8	15.5
1897/8 to 1901/2	79.6	34.6	51.9	9.5	25.1
1902/3 to 1906/7	103.8	45.4	68.3	10.1	35.3
1907/8 to 1911/12	111.0	39.1	77.1	6.3	32.8
1912/13 to 1916/17	122.0	39.3	89.0	7.2	32.1
1917/18 to 1920/21	173.1	57.5	104.7	6.5	51.0
1921/22 to 1927/28	186.3	85.4	152.4	14.2	71.2
1928/29 to 1934/35	211.7	105.4	158.8	15.5	89.9

source) Dr. Shein and others, "'Provincial Contract System' of British Indian Empire, in Relation to Burma—A Case of Fiscal Explanation" JBRs. LIII, ii, Dec. 1969.

Burma.<sup>10</sup> Moreover, it would be difficult to say that Burma benefited significantly from this fiscal reform. The annual average imperial receipts from Burma increased markedly from Rs. 57.5 million from 1917-8 to 1920-1 prior to the reform, to Rs. 85.4 million during 1920-1 to 1927-8 and to more than Rs. 100 million during 1928-9 to 1934-5. Meanwhile the imperial share in revenue receipts of the Province of Burma rose from 33.2 % to 45.8 % and 49.8 % during the same period in spite of the transfer of these important revenue resources to Burma.<sup>11</sup> Thus, the Government of India rather increased not only its receipts from Burma but also its share, because the revenue for heads classified as imperial such as customs and income tax grew much faster than those of provincial heads which no longer expected a high growth rate. In fact land revenue, the main revenue item of Burma, increased slightly from Rs. 48.9 million in 1917-8 to Rs. 52.2 million in 1927-8, whereas customs revenue rose strikingly from Rs. 19

10) U Aye Hlaing, op. cit. ("Public Finance. . ."), p. 3

11) Dr. Shein and others, op. cit., p. 10

million to Rs. 72.4 million in the same time.<sup>12)</sup> It was obvious then that this reform did not improve substantially the financial situation of Burma. This financial system continued until 1937 when Burma was separated politically from India.

## 2 The Revenue of the Government of Burma

The revenue of the Government of Burma grew rapidly with the economic expansion of Burma. When Pegu was annexed, the revenue raised from the three provinces of Arakan, Pegu and Tenasserim was about Rs. 5.4 million in all.<sup>13)</sup> It took almost two decades to increase this sum by Rs. 10 million. Then, there was a great increase in revenue from the 1870s. In particular, during the forty years from 1872-3 to 1912-3, it increased by more than Rs. 80 million or nearly 7 times to almost Rs. 100 million. This is equivalent to an annual growth rate of about 5 %. Such a tremendous increase was brought about mainly by the rapid expansion of paddy cultivation in the Irrawaddy delta during this period. Furthermore, after the First World War, revenue continued to grow to more than Rs. 200 million in the last half of the 1920s and the first half of the 1930s because of a large growth in customs revenue. The Government of Burma's revenue came mostly from land revenue, customs duty, income tax and forestry. Among them, land revenue and customs duty were the primary source, constituting 50 to 70 % of total revenue. In particular, in the period before the First World War, land revenue was the most important fiscal item, accounting for nearly half provincial revenue. Of course, in the first two decades after the annexation of Lower Burma, land revenue was small in absolute terms. For example, it was only Rs. 6 million in 1868-9 just before the start of rapid agricultural development in Lower Burma. After that, however, it rose remarkably from Rs. 6.8 million in 1872-3 to Rs. 34.5 million in 1902-3 and Rs. 44.9 million in 1912-3, mainly because the area under paddy increased greatly as well as a rise in land revenue per acre. Furthermore, the thathameda tax of Upper Burma was added to land revenue after 1886. But, obviously, the annual growth rate of land revenue declined from nearly 5 % during the last three decades of the 19th century to about 1.7 % during the first three decades of this century, chiefly because of the slowdown in the growth of paddy field in Lower Burma. It fell particularly

12) U Aye Hlaing, op. cit. ("Public Finance. . ."), p. 5

13) Gazetteer of Burma, p. 451

**Table 5-2** Revenue of the Government of Burma, 1868-1941.

(in million rupees)

Year	Land Revenue	Customs Duties	Excise Duties	Income Tax	Forest	Others	Total	Land Revenue as % of Total
1868/9	6.0	2.9	1.2	0.10	1.1	1.1	12.3	48
1872/3	6.8	4.6	1.1	0.05	1.1	0.8	14.4	47
1882/3	11.0	6.6	2.3	—	2.2	2.0	24.1	48
1892/3	22.1	7.3	4.9	0.69	5.7	3.4	44.0	50
1902/3	34.5	14.5	3.1	1.22	6.7	8.4	68.5	50
1907/8	39.4	15.1	8.8	1.73	8.8	8.4	82.3	48
1912/3	44.9	20.8	8.9	1.87	11.6	10.1	98.2	46
1917/8	48.9	19.0	12.0	4.78	12.7	5.1	100.5	49
1922/3	51.4	55.6	14.4	15.41	18.3	16.9	172.0	30
1927/8	52.2	72.4	12.4	21.36	20.3	37.3	216.4	24
1932/3	40.3	94.7	8.5	16.97	9.2	45.2	214.9	19
1937/8	41.2	42.0	9.6	15.94	16.0	34.1	158.9	26
1941/2	47.4	58.2	12.2	129.59	16.4	59.3	223.1	21

source) U Aye Hlaing, "Public Finance and Public Policy in Burma, 1870-1940"  
JBRS LVI i & ii Dec. 1973, p. 5.

from the last half of the 1910s. Actually, land revenue rose slightly by 6.7 % from Rs. 48.9 million in 1917-8 to Rs. 52.2 million in 1927-8. At the time of the depression in the early 1930s, it dropped sharply to Rs. 40 million. Consequently, customs became the largest revenue earner from the second half of the 1920s in its place of land revenue.

Now to examine customs duty. The customs revenue of Burma consisted largely of customs duty on imports and export duty on rice. For example, the customs revenue of Burma in 1904-5 was approximately Rs. 15 million, of which import duty amounted to Rs. 5 million and export duty to some Rs. 10 million.<sup>14)</sup> The former was principally derived from duties on food and drink, textiles and manufactured goods. As Burma was ruled as part of British India, the tariff policy and revenue of Burma was regulated by that of India. In 1878, cotton twist, cotton piece-goods, oil seed and so on were exempt from import duty and moreover, with the adaptation of free trade policy to Burma by the Government of India, all import duty on goods except for arms, ammunition, liquor and salt were abolished in 1882. In 1894,

14) Ireland, op. cit., p. 576

however, an import duty of 5 % ad valorem was again levied on general merchandise. As a result, the annual average revenue from import duty fluctuated from Rs. 1.4 million in 1877-81 down to about Rs. one million in 1884-8, and then to Rs. 3.9 million in 1895-99.<sup>15)</sup> During the First World War, import duty was further raised to 7.5 % in 1916 to make up for increased budget deficit and to 15.5 % in 1922 due to financial difficulties associated with the post-war economic depression.<sup>16)</sup> On the other hand, export duty was imposed on rice exported from Burma to ports outside British Burma. At first, the rate was set 2 annas per maund (82 2/7 pounds), but was raised to 3 annas per maund in 1867, this was equivalent to five rupees, one anna and ten pies per ton and equal to about 9 % of the value of rice.<sup>17)</sup>

Customs duty was the second most important source of revenue after land revenue until about 1920. Customs revenue was less than Rs. 3 million in 1868-9 but after the 1870s it grew fast reaching to Rs. 20 million just before the First World War due to the growing foreign trade. After the end of the First World War the increase in customs revenue was accelerated further. It jumped from Rs. 19 million in 1917-18 to Rs. 55.6 million in 1922-3 and then to Rs. 72.4 million in 1927-8. This tremendous increase was partly due to the significant rise in the general rate of customs duty on imports from 5 % ad valorem to 7.5 % in 1916, doubling to 15.5 % in 1922.<sup>18)</sup> Thus, customs revenue became the largest financial source since the 1920s, surpassing land revenue.

Other principal revenue besides land revenue and customs were forestry revenue, excise revenue, and income tax.<sup>19)</sup> Forestry revenue constituted roughly 10 % of total revenue and its share was almost constant during the depression. It consisted of two main sources; the sale of timber and other forestry products removed by the government agency, and the royalties and other payments made by purchasers and consumers removing their own supplies from the forests, duty imposed on foreign timber and other for forestry products and so on. In 1904 the forest revenue amounted to Rs. 8.5 million, of which Rs. 4.3 million was from the government agency and

15) Maung Shein, op. cit., pp. 129-30

16) U Aye Hlaing, op. cit. ("Public Finance. . ."), p. 4

17) Maung Shein, op. cit., pp. 128-9

18) U Aye Hlaing, op. cit. ("Public Finance. . ."), p. 4

19) This brief explanation of principal revenue other than land revenue and customs was dependent mainly on the book of Ireland. Ireland, op. cit., pp. 573-7 and p. 656

**Table 5-3** Average Annual Royalty Payments of the Long-term Teak Lessees, 1935/36-1939/40.

Lessee	average annual outturn		average annual royalty paid (Rs.)
	logs	tons	
Bombay Burmah Corp.	152,674	185,275	3,479,650
Steel Brothers	70,463	65,164	1,323,462
Macgregor	58,934	59,263	1,554,682
Foucar	36,331	29,169	672,632
T. D. Findlay	30,668	24,542	384,128
Indigenous long-term lessees	19,821	12,871	256,062

source) Forest of Burma., p. 47.

the remaining Rs. 4.2 million from private companies and individuals. Most of the royalties were paid by the large European timber companies such as the Bombay Burmah Trading Company, the Steel Brothers and the Macgregor.

Excise revenue accounted for 5 to 10 % of total revenue, and was derived from licences for the sale and manufacture of spirits, intoxicating liquor, opium and other drugs, and from excise duty on opium consumed in the province. The amount of this revenue was Rs. 7.3 million within 1904-5; 59 % from opium, 40 % from spirits and fermented liquor and 1 % from others source.

Income tax revenue constituted only 1 to 2 % of total revenue before the First World War, but thereafter increased considerably to about 10 % of the revenue in the 1920s. The income tax was the only assessed tax in Burma and was levied on salaries, pensions and other income of people whose income exceeded Rs. 1,000 per annum. It was also levied on the interest paid on securities from the profits of companies. However, people whose income was rent and revenue derived from agricultural land assessed to land revenue, and the salaries of officers and men of the military forces were in principle exempt from income tax, even though their income was liable to its payment.

Besides the above-mentioned revenues were provincial rates, salt revenue, stamp revenue and so on. An amount equivalent to 10 % of land revenue collections in Lower Burma was cessed as provincial rates in addition to the land revenue. Rates were used for the construction and

maintenance of roads, schools, hospitals and other services in a local district. Salt revenue was made up of excise duty on locally manufactured salt and import duty levied on foreign salt and on salted fish. Stamp revenue can be divided into judicial stamps and non-judicial stamps. The first were ad valorem fees and fixed fees levied on various documents issued by or presented to judicial and revenue officers in the province. The second was stamp-duty on documents such as bills of exchange, insurance policies, leases, mortgages, promissory notes and so on. The totals for provincial rates, salt revenue and the stamp revenue in 1904-5 were Rs. 1.8 million, Rs. 1.6 million and Rs. 3.3 million respectively.

### **Land revenue**

As mentioned already, land revenue and customs revenue were the most important source of revenue for the Government of Burma. But, land revenue comprised, in practice, several kinds of revenue. As a rule, land revenue could be divided into the ordinary land revenue and other land revenue. The former was levied on agricultural land or income from agriculture, while the latter included land revenue such as water rates (in Upper Burma), capitation tax, land rates in lieu of capitation tax, thathameda tax and revenue from fisheries. As of 1904-5, ordinary land revenue accounted for 60 % of total land revenue and other land revenue the remaining 40 %.<sup>20)</sup>

### **Ordinary land revenue**

To begin with, let us examine the basis and standard of assesment, according to the Furnivall's explanation.<sup>21)</sup> These were often changed and it took several decades before they were finally set at one quarter of the net produce. When the British began to rule Tenasserim in 1826, they took one-tenth of the gross produce as their annual revenue according to the practice of the Konbaung dynasty. Furthermore, the rate was raised to one-fifth instead of abolishing unpaid compulsory labour practiced during the dynasty. However, the method of assessment based on gross produce does not make allowance for the cost of cultivation, and so tended to lay a heavier financial burden on persons who paid more in costs. Therefore, the net profits of cultivation were adopted as the standard of assessment, defin-

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20) Ireland, op. cit., p. 610

21) Furnivall, op. cit. (An Introduction to . . . ), pp. 214-6

ed in the following equation:

the net of profits of cultivation = the value of the gross produce  
– (the cost of cultivation + the cost of living) (1)

One half of the net profits was prescribed as the standard of assessment.

In Upper Burma, however, the net produce of cultivation was taken as the basis of assessment, so that there were two parallel standards of assessment for some time. This was defined as follows:

the net produce of cultivation = the value of the average gross produce  
– the actual expenditure on cultivation (2)

As expressed in equation (2), the method of assessment on the net produce of cultivation considers neither the cost of cultivation, nor the home labour of the cultivator and his family. One half of the net produce of cultivation was prescribed as the standard of assessment. Before long, this method was extended to Lower Burma. As a result, half the net produce was made the basis of assessment in Lower Burma as well. Subsequently, the standard of assessment there was reduced to one quarter of the net produce. Furnivall states, "Thus, for the first quarter of the present century, settlement officers were expected to frame proposals for taking one half of the net produce in Upper Burma and one quarter of the net produce in Lower Burma. But in Lower Burma the prescribed standard has rarely been consciously approached."<sup>22</sup>)

Then how were the acre rates of assessment fixed? As equation (2) shows, in order to arrive at the value of the net produce per acre, it is necessary to know the value of the gross produce and the cost of cultivation in terms of per acre. The former can be obtained by multiplying the average yield per acre in the tract (that is, the productivity of the land) by the price of the produce, usually a theoretical price based on the local price of the produce averaged over a period of years. As a rule, the productivity of the land is affected by the degree of fertility of the soil, and this is dependent on the quality of the produce and the ease with which it can be brought to the nearest market, railway station or ferry port. So according to the fertility of the soil and the marketing or transportation convenience, the soil tract and the price tract are set up on every area under settlement. The yield per acre of the land is decided by the soil tract which it belongs to, and the theoretical price is fixed by the price tract. Furthermore, with the combination of the soil and price tract, the assessment tract is establish-

22) *ibid.*, p. 216



ed from which the value of the net produce can be obtained. The rates of assessment are finally determined taking into consideration these factors, and making allowance for rent paid by tenants and other circumstances such as the standard of living or indebtedness of the agriculturists.<sup>23)</sup>

Next, we will analyse concretely how and how much land revenue was proposed by taking up one of a large number of reports written by settlement officers about settlement operations. The following description relates to part of the revenue settlement from the Report on the Settlement Operations in the Bassein and Myanmya District, season 1901-02.

Table 5-4 (a) presents the assessment tracts with the various combina-

**Table 5-4(a)** Assessment Tracts by Combination of the Soil and Price Tracts. (Bassein and Myaungmya).

Soil Tract	Fertility per acre	Price Tract	Price per 100 baskets	Assessment Tract
	Baskets		Rs.	
I ...	35	I	82	I
	—	II	78	II
	25	III	74	III
II ...	30	I	82	IV
	—	II	78	V
	20	III	74	VI
III ...	25	II	70	VII
	—			
	18	III	74	VIII

**Table 5-4(b)** Proposed Rates of Assessment in Tract I. (Bassein and Myaungmya).

Soil class	Fertility (Bskts)	Price per 100 baskets (Rs.)	Cost of living, per acre (Rs.)	Cost of cultivation, per acre (Rs.)	Half net profits (Rs.)	One-fourth net produce (Rs.)	One-fifth gross produce (Rs.)	Tenant rates (Rs.)	Present rates (Rs.)	One-sixth net produce (Rs.)	Proposed rates (Rs.)
I	35	82	9	8.85	5.42	4.96	5.74	4.68	2.19	3.31	3.00
II	25				1.32	2.91	4.10	2.65	1.56	1.95	2.00

source) Report on the Settlement Operations in the Bassein and Myaungmya Districts, Season 1901-02, pp. 19, 21.

23) Ireland, op. cit., p. 604

tions of the soil and price tracts. The area under settlement is divided into three soil tracts according to fertility. Each soil tract consists of first class land and second class land. The yield per acre is fixed according to the soil tract and the land class. For example, the yield of the first class land in soil tract I is 35 baskets and that of the second class land in soil tract III is 18 baskets. Then the area is divided into three price tracts, and soil tracts I and II are divided into three price tracts each while soil tract III is divided into two price tracts. Therefore, there are eight assessment tracts in this area. For assessment purposes each price is arrived at after making allowance for both the theoretical price obtained by deducting transportation costs from the kwin<sup>24)</sup> to the market, from the assumed Bassein price of Rs. 88 and the local kwin prices annually recorded by the Land Record Department. As a rule, if the kwin is nearer to a market or has easy access to transportation and thus disposal of the produce, the price for assessment is evaluated higher; hence the amount of land revenue to be collected is also higher. Generally, the rate remained unaltered during fifteen years, while the assessments on individuals changed from year to year according to changes in the area of their holdings.

The rates of assessment were proposed after careful inquiry by the settlement officers over wide and varied tracts. By taking assessment tract I as example, let us examine to see what they were. The rates proposed were practically one-sixth of the net produce instead of one quarter a proportion of which was expected to be taken by settlement officers. On first class land in assessment tract I, the value of the net produce was Rs. 19.85, which was derived from the gross produce of Rs. 28.7 minus the cost of cultivation of Rs. 8.85. One-sixth of that, therefore, was Rs. 3.31. The new rate proposed by settlement officers was Rs. 3.00, by 37 % higher than the present rate. A settlement officer says, "I think a rate of Rs. 3 per acre is fully justified by the statistics and can eventually be taken." Likewise, for the second class land in the same assessment tract, one sixth of the net produce derived from the value of the gross produce ( $25 \times 82/100$ )—the cost of cultivation (Rs. 8.85), was Rs. 1.95. So the new rate of Rs. 2 was a 28 % increase over the present rate.<sup>25)</sup>

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24) Kwin means "a cleared plain" or also "a circuit, a ring", which was a kind of unit of assessment. Nisbet, op. cit., pp. 281, 287

25) The Report on the Settlement Operations in the Bassein and Myanma District, season 1901-02. p. 19

We will now look into how heavy the new rate of Rs. 3 was to the average tenant farmer working on the first class land in assesment tract I. The breakdown of his farm budget per acre is showed in the footnote.<sup>26)</sup> For him, land revenue accounted for about 10 % of the value of the gross revenue, almost equivalent to 3. 5 baskets of paddy in kind.

### Other land revenue

The head of other revenue includes capitation tax, land rates, thathameda tax and fishery revenue. Capitation tax in Lower Burma was levied on all males between the ages of eighteen and sixty years, except for government officials, village headmen, school teachers and men in religious orders. The rates were directed from time to time by the administrative head of the provincial government. As a rule, they were Rs. 5 for married men and Rs. 2.5 for unmarried men. At times, in place of capitation tax, land rates were levied on land with or without buildings in certain towns such as Henzada, Thayetmyo, Prome, Bassein, Toungoo and parts of Rangoon. However, land rate revenue was very low with only 0. 2 % of the total land revenue in 1904-5.<sup>27)</sup>

Thathameda that was introduced into Upper Burma by King Mindon and was retained by the colonial authorities after the annexation. The revenue law of Upper Burma provided not only for the levy of thathameda on all classes of the population, but also for the assessment of rent on state land and for the assessment of revenue on non-state land. It was in practice the principal financial source in that area during colonial times. Although land revenue was not assessed on private land by the Burmese kings, later classified as non-state land, it was now levied on such land. In these cases, the landowner might obtain exemption from or reduction of thathameda.<sup>28)</sup>

26)

(per acre)	(Rs.)	(%)
the cost of cultivation	8.85	30.8
the cost of living	9.00	31.4
land revenue	3.00	10.5
rent	4.68	16.3
balance	3.17	11.0
the value of the gross revenue	28.70	100.0

ibid., p. 21

27) Ireland, op. cit., pp. 608-9

28) Nisbet, op. cit., pp. 289-91

As a rule, revenue was levied on agricultural income, whereas thathameda was meant to be a tax on non-agricultural income. In practice, it was an important but difficult task the settlement officers to find out non-agricultural income of every village. Then the rate was set by the local government, varying from Rs. 2 to Rs. 12. The amount each village should pay was arrived at by multiplying the number of households by the village rates.<sup>29)</sup> So how was the village rate assessed? Furnivall's example gives an answer to this question.<sup>30)</sup> Let us suppose that there was a village with an income of Rs. 1,000, half of which came from the land and half from all other sources such as a village industry, petty trade or manual labour. Then suppose that the revenue derived as thathameda before the introduction of land revenue was Rs. 100. In this case, Rs. 50 would be still levied on the whole village as the thathameda tax, an amount derived from multiplying the previous amount of thathameda (Rs. 100) by the percentage of non-agricultural income over the total village income (50%). In a village with twenty households, each would have to pay Rs. 2.5 if the amount was allotted equally among them. This Rs. 2.5 was the village rate. In subsequent years the amount of thathameda of the village varied with the number of households.

Furnivall pointed out some weaknesses in the thathameda tax<sup>31)</sup>, and it would seem that some criticism was justified. For example, the poor such as coolies and petty traders who derived a substantial portion of their income from sources other than agriculture must have had to pay a higher rate than wealthy landowners. Likewise, people in the village who were forced to rely on non-agricultural sources because the land was poor were obliged to pay a higher rate of thathameda than more affluent villages. So it would seem that it was unfair to levy taxes solely on agricultural income. It seemed justified to levy a tax on non-agricultural income too, because as Furnivall states, the thathameda tax was no longer a tax on property as in the age of Burmese rule, but a tax on income. The problems of the tax revolved round how and how much it was levied on sources other than agriculture. Hence the Chairman of the Capitation and Thathameda Taxes Enquiry Committee and U Shwe Yun state, "The theory of the thathameda is sound, but in practice its administration is faulty and it hits the poor men

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29) Report on the Capitation and Thathameda Taxes Enquiry Committee, 1926-27. Rangoon, 1949. p. (2)

30) Furnivall, op. cit. (An Introduction to. . .), pp. 201-2

31) *ibid.*, pp. 202-3

unfairly, especially in the towns where there is often a high rate, it may be Rs. 10 or more. The trouble is that the assessors in distributing the total demand over the different households fail to see that the rich and poor are charged strictly in accordance with their ability to pay.”<sup>32)</sup>

Last we will examine fishery revenue. The fishery revenue came from both an auctioned lease of fishery in small rivers for a period of years, and licences sold to catch fish in large rivers and other stretches which could not conveniently be leased.<sup>33)</sup> As of 1904-5, the revenue was less than Rs. 3 million, representing about 8 % of total land revenue.

### 3 Analysis of expenditure

Financial expenditure also swelled substantially with increased revenue during colonial times, which rose from about Rs. 4 million in 1890 to more than Rs. 15 million in around 1930, equivalent to an annual average growth rate of 3.4 % during these four decades. They usually accounted for approximately 10 % of the net national products of Burma. As a rule, financial expenditure was always much lower than financial revenue, and the difference was sent to the Government of India. This is one of the important features of public finance in Burma. In this section, we will take up issues such as the financial burden Burma owed to the Government of India, as well as a definition of the characteristics of the financial expenditure.<sup>34)</sup>

At a glance public finance in Burma seemed to show a substantial surplus. Indeed, financial revenue considerably exceeded fiscal expenditure. Nevertheless, this surplus cannot be understood as an ordinary one, because it was never accumulated or saved in the treasury of the Government of Burma. We must then analyse how this apparent surplus was generated. In order to clarify this issue, we will take the revenue and expenditure of public finance from 1896 to 1905, a period covered under the Provincial Contract System.<sup>35)</sup> Using simple equations, the revenue and expenditure of the Government of Burma can be expressed as follows:

$$R = I_r + P_r + L_r \quad (1)$$

$$E = I_e + P_e + L_e \quad (2)$$

Where R,  $I_r$ ,  $P_r$  and  $L_r$  denote gross, imperial, provincial and local revenue

32) Report on the Capitation, p. 21

33) Furnivall, op. cit. (An Introduction to . . .), p. 203

34) U Aye Hlaing, op. cit., p. 38

35) Revenue and expenditure during this period can be examined in Ireland's book. Ireland, op. cit., p. 835 (Appendix M)

respectively, and  $E$ ,  $I_e$ ,  $P_e$  and  $L_e$  denote gross, imperial, provincial and local expenditure respectively. So, financial surplus is given by deducting (2) from (1). That is,

$$R - E = (I_r - I_e) + (P_r - P_e) + (L_r - L_e) \quad (3)$$

As equation (3) shows, financial surplus is expressed as a sum of imperial, provincial and local surpluses. Looking into the actual figures, we find that the provincial and local surplus was quite small. For example, deducting the cumulative sum of provincial expenditure from that of revenue during the period from 1896 to 1905 gives only a slight deficit of Rs. 2.7 million, and similarly the local cumulative surplus was only Rs. 0.3 million. In other words, the total financial surplus (Rs. 25 million) during this period can mostly be described as imperial one (Rs. 276 million). In fact, imperial revenue considerably exceeded imperial expenditure throughout colonial times. From 1896 to 1905, the annual average imperial revenue was about Rs. 40 million, while imperial expenditure was only Rs. 12.4 million. Therefore, the Government of India received from the Government of Burma the net financial revenue amounting to Rs. 27.6 million each year during this period. From the Burma's viewpoint, 70 % of the sum which Burma paid to the central government was not returned but was spent on imperial items such as military and defence expenditure, interest payments on public bonds, general administration costs in India and London, pension payments of retired government officials and so on. Needless to say, this money would have been freely available to Burma if she had been ruled separately from India. Hence Maung Shein and others regarded this unrefunded sum as 'a tribute to India' or as 'appropriated from Burma'.<sup>36)</sup> Anyway, considering that it accounted for 25 to 40 % of Burma's gross revenue, there is no doubt that the payment of imperial tax was an exceedingly heavy financial burden on Burma. This is also reflected in the fact that the per capita taxation of Burma was over twice as high as that of the other provinces in British India.<sup>37)</sup>

### **The structure and features of expenditure**

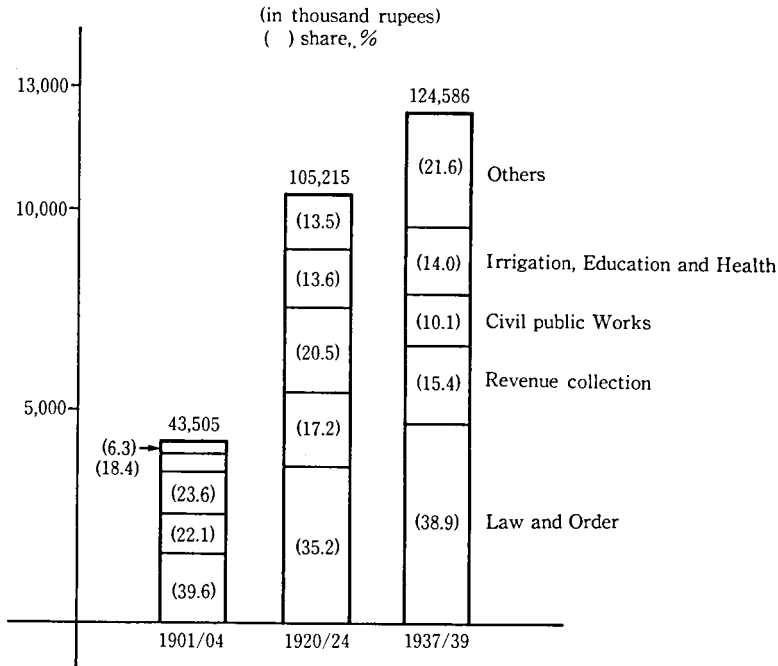
The first striking feature of financial expenditure was that disproportionately large fiscal funds were directed to general administration under the head of law and order in addition to the charges of revenue collection.

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36) Dr. Shein and others, op. cit., pp. 15-6

37) *ibid.*, p. 16

**Figure 5-1** Total Expenditure and the Shares of Major Items, 1901/04, 1920/24 and 1937/39 (annual average).



source) Based on table No. 3 of U Aye Hlaing's paper.

In the years from 1901 to 1904, the former was Rs. 17.3 million or about 40 % of total expenditure on the yearly average, while the latter was Rs. 9.7 million or 22 %. Generally speaking, the combined share of these two items always accounted for approximately 50 to 60 % of total expenditure. According to U Aye Hlaing's comments, the unreasonably high expenditure on the general administration of law and order was partly due to wasteful expenditure and partly to the rather high pay scales civil servants, especially those in the superior services.<sup>38)</sup>

In public expenditure, the third largest item after law and order and revenue collection was civil public works. This formed roughly one fifth to one quarter of total expenditure. However, the major expense under this head was the construction and maintenance of court houses, police stations, jails and so forth. If this was so, as U Aye Hlaing points out, such expen-

38) U Aye Hlaing, op. cit. ("Public Finance. . ."), p. 8

**Table 5-5** Expenditure on Irrigation, 1901-05.

(in rupees)

Expenditure	1900-01	1901-02	1902-03	1903-04	1904-05
Imperial:					
Capital outlay on Major Works	989,618	1,257,866	1,649,523	1,336,688	1,147,787
Working expenses of Major Works	—	—	30,312	92,027	75,301
Provincial:					
Minor Works and Navigation	1,697,616	1,881,477	1,537,448	1,575,283	1,491,461
Total expenditure charged against Capital and Revenue	2,687,234	3,139,343	3,217,283	3,003,998	2,714,549

source) Ireland, op. cit. p. 670.

diture should be considered part of administrative expenditure. If it were taken as such an expense, more than 80 % of total expenditure could be considered as being set aside for general administration.<sup>39)</sup>

We will next analyse expenditure on public works excluding the railway from 1900-1 to 1903-4.<sup>40)</sup> They can be divided into military works, civil works and irrigation, forming on average 5.2 %, 72.7 % and 22.1 % of the budget of public works respectively. Military works included the construction and repair of barracks and the erection of residential quarters, hospitals, mess-houses stables and so forth. Civil works largely consisted of the construction of and repairs to civil buildings such as hospitals, jails, schools and other buildings connected with the administration, and of road construction. However, in spite of the demand for metalled roads being very strong, only 1,939 miles of roads were built up to 1911 because of the paucity of the allotted budget. The budget for road-building came from the Public Works Department and was distributed by the Provincial Government according to the arrangement of the Provincial Contract System.

Public works relating to irrigation and embankments in Upper and Lower Burma were highly important for the agricultural development. The cost of

39) *ibid.*, p. 8

40) Ireland, op. cit., 662-7



the construction and the working expenses of major irrigation works were imperial, in other words paid by the Government of India, while those of minor works and navigation were provincial. The former included such irrigation projects as the Mandalay Canal, the Shwebo Canal and the Mon Canal. While the latter included minor irrigation works, irrigation tanks, navigation canals and embankment works.<sup>41)</sup> Irrigation works were practised mainly in Upper Burma, but embankment, drainage and navigation works were important in Lower Burma. However, in spite of the heavy dependence of the Burmese economy on agriculture, especially rice production, expenditure on these projects was small in relative and absolute terms. Expenditure on irrigation was Rs. 2.7 million in 1904-5, of which Rs. 1.2 million was imperial and Rs. 1.5 million provincial. Ultimately all irrigation works were transferred to the Government of Burma by the Devolution Rule in 1921.

More than two thousand miles of railway lines were laid during colonial times, about half of which was completed by the turn of the century. The construction of railways was considered public project by the Government of India. However the Government of Burma was in charge of the revenue of and expenditure on railway under the arrangement of the Provincial Contract System. During the last quarter of the 19th century, railways remained largely unprofitable with the exception of some lucrative lines. The cumulative investment in railway from 1877, the year of the opening of the first railway line in Burma, to 1898 was estimated to be only 21 % of the total amount paid in imperial taxes by the Government of Burma over the same period. Therefore, Dr. Shein and others questioned, "Will it be correct to say that 'the capital invested in the Burma railway came from India'?"<sup>42)</sup>

The management of the railways was leased to a private company, the Burma Railway Corporation. Moreover, the railway was made an imperial possession and was put under the control of the Government of India with a new arrangement of the Provincial Contract System in 1897. It was only after its transfer to the central government that the Burmese railways showed a good economic performance. On the other hand, the outlay on social and human capital needs to aid economic progress was relatively much smaller compared to these. In practice, only a small part of fiscal funds was

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41) *ibid.*, pp. 669-73

42) Dr. Shein and others, *op. cit.*, p. 13

invested in the material infrastructure conducive to economic development and education at awareness to foster population ready to construct a modern nation.

## Chapter 6

# Economic Structure and Foreign Control

To begin with in this chapter, we will look into the structural features of the economy, paying attention to its mono-cultured character. We will try to make it clear how such a structure was created in the course of the economic development during the colonial period. Following this, we will take up foreign control over the economy. Indeed, almost all important natural resources were developed by foreign firms owned by Europeans and Indians, and especially the British. In addition, a considerable part of capital needed for the agricultural development in Lower Burma was supplied by Chettiars. In addition, a large number of Indians came to Burma to seek jobs and were engaged in industry, transport, trade and agriculture. As their share was especially high in non-agricultural occupations, this, before long, developed into one of major reasons for the serious confrontation between the indigenous and Indian people. It is one of the principal characteristics of the colonial economy of Burma that the important parts of the economy were under the control of foreign firms and foreigners. As a result, a great deal of money was sent abroad as profit and wage remittances.

### 1 Mono-cultured economy

As mentioned before, the economic development in colonial times was brought about by the export of primary products, mainly rice: thus the economic structure formed during the period was one where agriculture was dominant, while industry was less developed. In practice, most of production factors were directed towards the agricultural development of Lower Burma, rather than industry. As a result, not only did the centre of the economy shift from Upper to Lower Burma, but also Burma became a country, roughly speaking, for producing and exporting agricultural products and importing manufactured goods. In other words, the course of the economic development caused mainly by the expansion of paddy field in Lower Burma was at the same time the process by which the economy came to specialize in the production of a few commodities for export. In particular, lots of production factors turned to paddy production creating almost mono-cultured economy, where the rice industry had considerable

weight. Therefore, almost all manufactured goods had to be imported. Thus, an economic structure was created that depended on the importation for most industrial goods and various consumer goods. In short, Burma was made a market for the manufactured goods produced in Britain, India and other foreign countries.

The flow of large quantities of imported goods therefore hampered the industrialization of Burma. The main industries in the non-agricultural sector were processing industries such as rice mill, timber mill and oil refinery. Almost all machinery and plants needed in these industries were imported from European countries, mainly Britain and Germany, stifling domestic growth of capital goods industries. This can be seen in railway construction. In the colonial period, more than two thousand miles of railway was constructed in Burma, which must have brought about tremendous demand for producer goods, such as machines, rails, locomotives, spare parts, coal and steel. These, however, were imported mainly from Britain. It was only sleeper wood which was supplied domestically. Burma, therefore, had little backward linkage of multiplier effects; so it could not promote industrialization.

Moreover, the importation of cheap and attractive goods caused traditional domestic industries to decline. This can be seen particularly in the textile industry. Before the colonization of Burma, textile goods were supplied by domestic production in rural areas, but they dwindled as imported goods penetrated into Burma. The fall of the domestic textile industry not only kept the degree of industrialization of Burma at the low level, but also made the economic structure mono-cultured. Furnivall also points out, "In 1876, however, the cultivator had worn cloth woven in Burma, and by 1900 this, 'notwithstanding its better and richer quality' had been driven out by the novelty and cheapness of imported cloth."<sup>1)</sup> The quantity of imported cotton goods was thirty million yards in 1872-73, but it had increased to 100 million by 1903-04, and 180 million by 1913-14, while its value rose from Rs. 6 million to Rs. 46 million over the same period.<sup>2)</sup> Due to the inflow of lots of imported cotton goods, the rural textile industry became obsolete. In particular, domestic yarn was replaced quickly by imported one, as indicated in the Census Report of Burma 1891.<sup>3)</sup> Although

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1) Furnivall, op. cit. (Colonial Practice. . . ) p. 100

2) *ibid.* p. 100

3) Scott, op. cit. (Gazetteer of Upper Burma. . . ), p. 460

cotton was grown in most areas of Upper Burma, it was not suitable for spinning on account of its short staple. One of chief reasons why the imported goods could drive out the domestic products was their cheapness. In Burma, the wages of textile labourers were high partly because the majority of labourers were absorbed by the agricultural sector, partly because the living cost was high owing to the rising paddy price. The Burmese textiles, therefore, were not necessarily inexpensive compared to the foreign goods. In fact, their prices rather dropped off by about 10 % in the fourth quarter of the 19th century, something which further strengthened their competitiveness.

No measures were taken to prevent the decline of the rural industries or to promote them. In India, there was a gradual growth of the textile industry in spite of severe competition with British textile goods due to a low tariff; this was not seen in Burma. Moreover, the possibility of the development of the Burmese textile industry was suffered because of Indian cotton goods, which came into Burma freely. The decline of this industry was clearly shown in the Census Report of Burma in 1911. According to it, the number of people who earned income mainly from spinning and weaving decreased from 244 thousand in 1901 to 133 thousand in 1911.<sup>4)</sup> The figures are a little questionable on account of the classification of workers, but it undoubtedly indicates the downward trend in this industry. In summary, Burma concentrated on the production of a few commodities for export, especially rice, so that the economy was dominated by agriculture. Most of manufactured goods, therefore, had to be bought from abroad. At the same time, the inflow of imported goods put up obstacles to industrialization.

So, finally on the basis of the Census of Burma 1931,<sup>5)</sup> we will examine what kind of industrial structure was created by the course of the economic development during colonial times. Table 6-1 indicates the general distribution of workers (earners plus working dependents) by occupation. As a matter of course, 70 % of them were engaged in raw material production, such as agriculture, forestry, livestock, fishery and mining. In particular, the agriculture sector accounts for the greatest share of 66.5 %. In other words, two out of three were engaged in agriculture. With respect to the non-agricultural sector, the main industries were trade, industry (manufac-

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4) Census of Burma 1911. Rangoon, 1912. (Webb M.) p. 322

5) Census of Burma 1931. p. 128

**Table 6-1** Distribution of Workers by Occupation, 1931.  
(in thousand persons)

Occupation	Workers (earners and working dependents)	Share (%)
Production of Raw Materials	4,361	70.2
Pasture and Agriculture	4,128	66.5
Forestry	53	0.9
Stock Raising	78	1.3
Fishing and Hunting	61	1.0
Exploitation of Minerals	40	0.6
Preparation and Supply of Material Substances	1,444	23.2
Industry	664	10.7
Transport	222	3.6
Trade	557	9.0
Public Administration and Liberal Arts	275	4.4
Public Force	31	0.5
Public Administration	45	0.7
Professions and Liberal Arts	199	3.2
Miscellaneous	132	2.1
Domestic Service	45	0.7
Others	87	1.4
Total	6,211	99.9

source) Census of Burma 1931., pp. 146-148.

tures) and transport, whose shares are 10 %, 6.7 % and 3.27 % respectively. But these industries have a close relationship with agriculture, too. For example, there were a number of traders who were engaged in the retail and wholesale of rice as well as being brokers collecting rice from the growers. Besides, the rice mill industry absorbed the largest number of workers among the various industries. In addition, the transportation system of railways and river traffic was developed largely to carry paddy and rice grown in the delta. Thus, the great majority of occupations were directly or indirectly related to agriculture.

In 1931, the number of workers who were engaged in ordinary cultivation, chiefly rice, was nearly 4 million. The percentage of landowners, cultivating owners, tenants, agricultural labourers and taungya cultivators

was 1.7 %, 31.3 %, 18.7 %, and 11.2 % respectively.<sup>6)</sup> Landowners were defined from rent.<sup>7)</sup> So, non-agriculturists such as moneylenders like Chettiars, were excluded, although the acreage of land occupied by them rose by 40 % from 3,120 thousand acres in 1921 to 4, 360 thousand acres in 1931. This contrasts with the corresponding figure for agriculturists which decreased from 14,900 thousand acres to 14, 450 thousand acres during the same period.<sup>8)</sup> Although the policy of the colonial government was to set up cultivating ownership in agriculture, its share was only a little over 30 % of ordinary cultivators, while the combined share of tenants and agricultural labourers accounted for more than half.

According to the Census, the number of workers in the industrial sector was 664 thousand, which constituted nearly 10 % of the total. This figure seems to be a little high due to the inclusion of a number of domestic workers. The number of factories increased from 62 in 1870 to 1019 in 1931, while that of factory workers rose from 8 thousand to 100 thousand during the same term.<sup>9)</sup> But in 1931, factory workers as a percentage of all workers in the industrial sector constituted only 1.4% and 13.6 % respectively.

It was the textile industry that absorbed the largest number of workers. Before the colonization, textiles were produced mainly for home use by women in the slack season. As Scott said, "Spinning and Weaving are in a most primitive state, and , therefore, very slow and laborious, which further tends to promote the purchase of foreign piece-goods and yarns."<sup>10)</sup> Domestic products were replaced gradually by imported goods. This village industry, however, was not completely driven out and continued to survive in the rural areas as the work of women, as before, due to its special quality. Thus, cotton piece goods and cloth were still woven in the rural areas with a primitive hand-loom using imported or domestic yarn. According to Andrus, in 1938-39 the quantity of the former was 16.6 million pounds and the latter was 3.6 million pounds, supplied mainly by Myingyan spinning mills. However the quantity locally woven is estimated to have been less than a tenth of Burma's cotton textiles.<sup>11)</sup> Considering this, there is no

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6) *ibid.*, 129

7) *ibid.* p. 129

8) *ibid.* p. 130

9) Spate, *op. cit.* p. 4

10) Scott, *op. cit.* (Burma: A Handbook of . . . ) p. 276

11) Andrus, *op. cit.* pp. 147-148

**Table 6-2** Number and Share of Workers in Various Industries, 1931.

	Number of Workers	Share (%)
Textiles	233,208	35.1
Woods	102,061	15.4
Metals	21,582	3.2
Ceramics	13,462	2.0
Chemistry	18,520	2.8
Food	141,507	21.3
Dress & Toiletries	76,338	11.5
Building	13,156	2.0
Others	44,542	6.7
Total	664,376	100.0

source) Census of Burma 1931., pp. 145-46.

doubt that the textile industry of Burma was depressed by the inflow of the imported textiles. The Census of 1931 points out that the number of workers in the textile industry was 233 thousand, or about one third of those in the industrial sector, of whom 185 thousand, were engaged in the cotton industry, which showed a slight recovery. But the number of factory workers in this field was very limited, with a total of 7 thousand.

In terms of the number of workers, the food industry was ranked second to textiles. Within it, the largest sector was the rice mill industry which accounted for two thirds of factories and a half factory workers. The timber industry, whose workers were about 100 thousand in number, was also important. Nearly 20 thousand workers were employed in sawmills. Most big sawmills, which were located in Rangoon and Moulmein, were owned by a few large European companies such as the Steel Brothers and the Bombay Burmah Trading Corporation. In addition oil refinery was another major industry in Burma. It was almost totally monopolised by the British-owned Burma Oil Corporation. The number of workers in other industries, namely metals, chemistry, pottery, and construction was in the range of 10 to 20 thousand.

Transport, trade, administration and professions were almost important areas, most of which can be classified as tertiary industry. The number of workers in these industries totaled 1,200 thousand and accounted for 20 % of all workers. Among them, the trade sector was the biggest and absorbed 560 thousand workers or about half of those in the whole group. Further-



more, two thirds were made up by traders who dealt with agricultural products such as rice, sugar, tobacco and so forth. Public service and professions numbered 275 thousand, accounting for 4.5 % of total workers. The former can be divided into the administration and police and the military, whose numbers were 30 thousand and 45 thousand respectively. Pongyis, medical workers and schoolteachers etc. were included in the professions.

Thus we can see from the above survey that the economy created during the colonial period was agriculture-dominated.

## **2 Investment by foreigners**

The economic development of Burma offered numerous opportunities to invest there. However, it was largely the Europeans and Indians who took them and found business chances. For example, a substantial part of the demand for money to finance agricultural development was met by Chettiers, as has been seen. In addition, other natural resources like timber, crude oil, and metals were exploited by Europeans, especially the British. They also invested in industry (rice and timber mill, oil refinery and others), transport (railways and inland water transport), banking and insurance. Irrespective of sector, almost all lucrative fields were occupied by foreigners or foreign firms. For example, in the case of paddy production, they derived substantial profits by controlling agricultural credit, its marketing system, rice milling and export, while the greater part of general farmers who actually laboured in the paddy fields were left very poor.

Now, we will look into how much was invested by foreigners or foreign firms. With respect to this matter, however, only roughly estimated figures for specified years are available. Andrus estimates the balance of foreign investment at nearly £ 155 million in 1941,<sup>12)</sup> which is a little more than double the £ 70 million of estimated national income (NNP) in 1938-9.<sup>13)</sup> The percentage of total foreign investment is unknown. But considering that roughly two thirds of agricultural credits were supplied by Chettiers, and that the main firms in the non-agricultural sector were mostly foreign firms, the share of foreign investment might reach 70 to 80 % of the total. Thus, it played an important role in the economy of Burma during colonial times.

Let us consider foreign investment in more detail on the basis of Andrus'

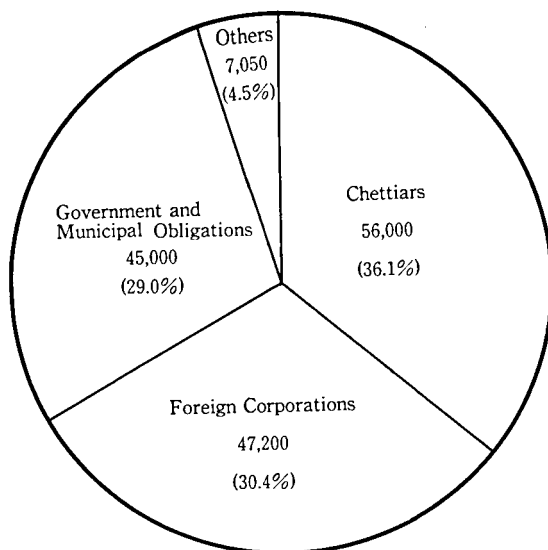
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12) *ibid.*, pp. 183-6

13) U Aye Hlaing, *op. cit.* (Economic Development. . .), p. 150

**Figure 6-1** Foreign Investments in Burma, 1941.

(in thousand pounds)



source) Andrus J. R., *Burmese Economic Life*. p. 184.

figures. In terms of investment, it can be categorised into those by Chettiars, European firms, and the government. The latter means the investment in public sector of funds raised outside Burma by the government. Chettiars, whose share was £ 56 million, constituting 36 % of the total investment balance were the largest investors. Next to them, foreign firms and the government had invested more than £ 45 million, forming about 30 %. The remaining share was £ 7 million or 4.5 % of the total, including £ 2.8 million by the Chinese and £ 3.25 million in property investment in the cities. The investment by the Chinese in Burma therefore was relatively small, compared to that of the British and Indians.

When the government undertook specific public works, part of the necessary funds were raised outside Burma. Investment in railways was a good example. When Burma was administratively separated from India in 1937, it was obliged to take over about £ 45 million of debt, approximately £ 26 million or some 60 % of which was capital value of the railway of Burma. At the same time, the Rangoon Port Trust, the Rangoon Development Trust and the Rangoon Corporation also had outstanding bond issues.

## Investment by Chettiars

At first, we will describe briefly the economic activities of Chettiars in Burma.<sup>14</sup> They came to Lower Burma around the 1870s. Their arrival coincided with the time when the rapid agricultural development was taking place in the Irrawaddy delta. They prospered quickly by providing farmers with agricultural credits. Their firms were found in almost all major rice-producing districts in Lower Burma by 1889, and further, they proceed to Mandalay, Myingyan and Shwebo after the British annexation of Upper Burma in 1886. The number of Chettiar's firms reached 1,650 by 1929-30, of which 1,443 were located in Lower Burma, the main centre of their activities, and 195 in Upper Burma. Although Chettiars lent money chiefly to the agricultural sector, they also invested in industry, trade, real estate, insurance, mining, plantations, marine and inland water transport as well as export and import. In Lower Burma, however, two thirds of their loans went to agriculture. As a rule, they extended agricultural credits mainly to wealthy landlords and cultivating owners who were able to offer sufficient mortgages to them. Therefore, the interest rates of Chettiars were by and large lower than those of other moneylenders largely owing to the lesser risk. The Chettiar's lending rates were usually determined on the basis of the current rate of call money. Accordingly they varied according to the fluctuations of current rate, as well as the time of year, the size and the offered security. For example, in the case of a great sum of money exceeding Rs. 5,000, the annual rate of interest would be 10.5 % to 12.5 %, providing that the current rate was 11 annas 11 pies. In general, rates were high in the busy season from February to August and lower during the rest of the year. Offering land as security, the interest rates for loans over and under Rs. 5,000 were 12-15 % and 15-18 % respectively. On the other hand, in the case of small loans under Rs. 100 and sums from Rs. 100 to 500 without security, they were 24-30 % and 18-24 % respectively.

Thus, Chettiars were deeply rooted in the economic development of Burma. According to the Report of the Burma Banking Enquiry Committee, their entire working capital was estimated to be Rs. 800 million (£ 53 million) to Rs. 750 million (£ 50 million). Of this, Rs. 500-550 million, equal to about two thirds of the total capital, was supplied by the proprietors of the various firms from their own money. In addition Rs. 115 million came

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14) The description about Chettiars owes much to Report of the Burma Provincial Banking Enquiry Committee, 1929-30.

from deposits by other Chettiars, while the rest of some Rs. 100 million came from non-Chettiars sources including Rs. 50 million of deposits in Rangoon, Rs. 30 million of advances from Burma banks, and Rs. 13 million of advances from Madras banks. To what sectors was this working capital directed? Of the approximately Rs. 800 million of working capital, Rs. 760 million or 95 % of it was invested in Lower Burma, two thirds of which, namely Rs. 450 million went to the agricultural sector, including Rs. 100 million to Rs. 120 million of crop loans for that year. Rs. 210 million to Rs. 260 million were allocated to the trade sector. On the other hand, only Rs. 40 million or 5 % of Chettiar's working capital was directed to Upper Burma. Rs. 10 million or one quarter of it was extended to the agricultural sector, while the rest went to the trade sector.

In this way, Chettiars undoubtedly played a very important role in the agricultural and economic development of Burma by supplying necessary capital to agricultural and other sectors. However, this also resulted in the accumulation of a great deal of land in Lower Burma by Chettiars. This problem has already been discussed in Chapter 2.

### **Investment by foreign firms**

Shortly after the first Anglo-Burmese War, British merchants came to Burma and engaged in the timber business and shipbuilding in Moulmein and in rice exporting in Akyab. After the annexation of Pegu in 1852, more European merchants proceeded to Burma seeking business opportunities. As a rule, they invested largely in rice mills, timber and transport in the latter half of the 19th century. Most of firms in the early period were small and run by individuals or as partnership, except some companies which were subsidised and fostered by the government. With the commencement of the rapid agricultural development of Lower Burma in the 1870s, the number of firms set up by Europeans further increased due to the creation of a lot of business opportunities. Some of them were reorganised as joint stock companies in response to the rise in sales caused by the growing export demand. The Steel Brothers and the Balloch Brothers were such examples.<sup>15)</sup> In the meanwhile, with the collapse of the Konbaung dynasty in 1885, the free exploitation of the rich natural resources in Upper Burma was left to the colonial authorities as well as private firms.

In 1906, the number of joint stock companies was 55 and the total paid

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15) U Khin Manug Kyi, op. cit., p. 28

capital was Rs. 13.2 million, but after four years the former doubled and the latter trebled.<sup>16)</sup> In 1935, the joint stock companies numbered 387 and the major ones were mostly foreign-owned. Almost all the important industries were dominated by these companies. As this has already been mentioned in previous chapters, we will review it briefly here. In the latter half of the 19th century, European capital was invested mainly in the transport, rice and timber mill industries. The major transport firms were the Irrawaddy Flotilla Company which dealt with nearly half of the inland river transport, the British India Steam Navigation Company which conveyed people and freight between Burma and India, and the Burma Railway Company to which the management of the whole railway system of Burma was entrusted. All these companies were established with British capital and made large profits under the thick protection of the government.

The rice mill industry absorbed the largest number of factory workers. This industry was also dominated by big mills owned by Europeans, which were set up in principal ports such as Rangoon, Bassein, Akyab and Moulmein. In terms of the number of rice mills, European mills accounted for only 5 % of the total, but they employed more than 40 % of the workers of this industry and milled one quarter to one third of exportable rice.<sup>17)</sup> The main rice mill companies were the Steel Brothers which milled three quarters of the rice destined for Europe, the Anglo-Burma Rice Company, the Ellerman's Arakan Company and the Bulloch Brothers. They formed the 'Bullinger Pool' to control paddy and rice prices in 1921. As Burma was abundant in forest resources such as teak and other hard woods, timber was one of its major exports. Nearly three quarters of the timber was extracted by a limited number of companies owned by Europeans: the Bombay Burmah Trading Corporation (BBTC), the Steel Brothers, the Foucar and Coy, the Macgregor and Company, and the T. D. Findlay and Son. They paid royalties to the government, which constituted a considerable part of the government's forestry revenue. The BBTC was set up in Moulmein in the 1850s and later developed into the largest timber company. It enjoyed monopolistic status particularly in the early period. For example, it formed 85 % of the total outturn towards 1890.<sup>18)</sup>

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16) U Khin Manug Kyi, *op. cit.*, p. 28

U Aye Hlaing, *op. cit.* (Economic Development. . . ), p. 17

17) Spate, O. H. K., *op. cit.*, p. 8

18) U Khin Manug Kyi, *op. cit.*, p. 31-2

Mineral products were another chief natural resource. In particular, crude oil was exceedingly important as an export item. Oil production was also controlled by a few companies, of which the Burma Oil Company was the largest with £ 13 million of capital, and accounting for three quarters of crude oil production and 85 % of oil refinery. Other major oil companies were the Indo-Burma Petroleum Company and the British Oil Company. In addition to oil, Burma was also rich in non-ferrous metals such as lead, zinc, nickel tin and tungsten. The most important mine was the Bowdwin Mine, which was run by the Burma Corporation.

Thus, almost all the major natural resources of Burma were put under the control of foreign-owned firms during colonial times.

As already shown, investments by foreign firms excluding Chettiers were estimated to be £ 47. 2 million as of 1940. The allocation of this sum among the various industries is shown in Table 6-3.<sup>19)</sup> The overwhelming majority of foreign investment was for the exploitation and processing of natural resources produced in Burma, and for communications. In particular, oil companies and other mining companies together with communications accounted for almost 80 % of the total investment by foreign firms, because they were capital-intensive. On the other hand, investment in rice mills, timber, rubber and tea plantations and manufacturing was relatively small. Nevertheless this does not imply that foreign firms did not

**Table 6-3** Foreign Business Investments in Burma.

	amount (million pounds)	share (%)
Oil Companies	16.0	33.9
Other Mining Companies	15.0	31.8
Teak and Lumber Companies*	3.5	7.4
Rubber, tea and Other Plantations	1.2	2.5
Banking, Trade & Manufacturing	5.5	11.7
Communications**	6.0	12.7
<b>Total Business Investments</b>	<b>47.2</b>	<b>100.0</b>

\* including sawmills.

\*\* railroads, river navigation and tramways.

source) Callis H. G., Foreign Capital in Southeast Asia, p. 94.

19) Callis. H. G., Foreign Capital in Southeast Asia. (I. P. R. International Research Series) New York, 1942. p. 94

hold a ruling position in these industries as well.

How were the profits made by them disposed of? As Furnivall pointed out, there is no doubt that all these firms remitted most of their profits abroad.<sup>20)</sup> However, exact figures relating to their remittances are not available. Callis estimated the annual average transfer of commercial profits by foreign firms at £ 10 million to £ 12 million for the investment cumulatively amounting to nearly £ 50 million.<sup>21)</sup> But generally speaking, this figure is regarded as an overestimate. As already mentioned, U Aye Hlaing estimates the business transfer at £ 7.07 million (Rs. 94 million). Adding Rs. 50 million of Chettiar's transfer to it, more than Rs. 140 million was annually sent out of Burma as net income payments.<sup>22)</sup>

### 3 Occupations of Indian labourers

One of the striking and important features of the economy of Burma was that a great number of Indian labourers worked in various fields. From towards the 1870s, they came increasingly to Burma, which was suffering from a labour-shortage, and settled mainly in urban areas or cities. More than half of the population in Rangoon, for example, was made up by Indians. By and large, they preferred non-agricultural jobs to agriculture itself. In fact, most of them found jobs in trade, industry, transport and others. Thus the number of Indians engaged in agriculture was relatively small. In this way the tendency of their concentration in particular fields made their presence conspicuous. Coupled with this, the keen competition for jobs between Indian and Burmese workers or the occasional expulsion of Burmese workers from specific occupations by Indian workers fostered anti-Indian sentiments among Burmese people. The size of Indian population reached more than 500 thousand at the turn of the century and further grew to one million in 1931. The share of Indian people to the total population of Burma rose from 5.4 % in 1891 to 6.9 % in 1931.

Let us look at the distribution of Indian workers by occupation in more detail. According to the census of 1931, the number of workers (earners plus working dependants) was 6.21 million or 42.4 % of the total population. The proportion of workers by race is as follows.<sup>23)</sup> Out of 1,000

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20) Furnivall, op. cit. (Colonial Practice. . . ), p. 190

21) Callis, op. cit., p. 93

22) U Aye Hlaing, op. cit. (Economic Development. . . ), p. 48

23) Census of Burma, 1931. p. 134 Baxter, op. cit., p. 5

workers in all occupations 879 belonged to indigenous races, 95 were Indians, 15 were Chinese, 9 belonged to Indo-Burmese races and the remaining 2 to other races. In other words, Indian labourers numbered 0.65 million, making up 9.5 % of the total work-force, while Chinese workers accounted for only 1.5 %. The share of working Indians to the total Indian population in Burma was very high when compared to that of the Burmese.

The census of 1931 divided all occupations into four classes ; (A) production of raw materials, (B) preparation and supply of material substances, (C) public administration and liberal arts and (D) miscellaneous. Further, each

**Table 6-4** Classification of Workers According to Occupation and Race.

Class or Sub-class 1	Proportion of Indians per 1,000 workers † 2	Distribution by occupation of 1,000 workers for					
		All Races † 3	Indigenous Races † 4	All Indians ‡ 5	Indians born in Burma ‡ 6	Indians born out-side Burma ‡ 7	Chinese § 8
ALL OCCUPATIONS ...	95	1,000	1,000	1,000	1,000	1,000	1,000
A Production of raw materials	44	702	753	273	486	249	160
I Exploitation of animals and vegetation	41	696	750	244	478	217	122
Cultivation ...	37	664	719	207	435	182	64
II Exploitation of Minerals ...	373	6	4	29	8	32	38
B Preparation and supply of material substances	209	232	193	557	374	578	772
III Industry ...	158	107	98	190	120	198	188
IV Transport ...	457	36	20	188	94	199	31
V Trade ...	172	90	75	178	160	180	553
C Public Administration and Liberal Arts	140	44	41	73	55	75	26
VI Public Force ...	454	5	3	27	12	29	1
VII Public Administration ...	309	7	5	27	19	28	4
VIII Professions and Liberal Arts ...	52	32	33	19	24	19	21
D Miscellaneous ...	415	21	12	97	86	98	42
IX Persons living on their income ...	255	1	1	4	5	3	3
X Domestic service ...	544	7	3	46	43	46	22
XI Insufficiently described occupations	481	9	4	44	32	46	11
XII Unproductive ...	89	4	4	3	5	3	6
* Includes Sub-orders 1 (a) and 1 (b)		‡ Whole province less Akyab district					
† Whole province		§ Divisional Burma					

source) Census of Burma 1931., p. 134.



class was divided into sub-classes. Table 6-4 represents the distribution by occupation of 1,000 workers for all races as well as each race. As the table shows, it was class (B), namely industry, transport and trade that nearly half the Indian workers were engaged in. In addition one fifth of the workers classified into class (B) were made up by them. Moreover almost 80 % of the Chinese workers were also engaged in these industries, particularly trade. Next to class (B), class (A), that of production of raw materials like agricultural products and minerals was the second largest, absorbing one quarter of Indian workers. However, the proportion of Indians engaged in cultivation was only 3.7 % compared with 9.5 % for all occupations. Class (C) accounts for some 7 % of all Indians but they formed 45 % of public forces and 30 % of public administration. About 10 % of Indians were engaged in various occupations under heading, 'miscellaneous' which included domestic services.

Next let us look at figures for male earners by race and economic functions.<sup>24)</sup> On the basis of economic functions, earners were classified into (1) agriculture, fishing and culture, etc., (2) clerical workers, (3) craftsmen, (4) unskilled and semi-skilled labourers (excluding sweepers and scavengers) and traders and shop assistants. Of 500 thousand Indian male earners, some 200 thousand or 40 %, were unskilled or semi-skilled labourers, followed by agriculturists, traders, craftsmen and clerical workers in that order. Nearly half of the total of unskilled and semi-skilled labourers and more than 40 % of clerical workers were Indians. Further, one third of traders and shop assistants and one quarter of craftsmen were also occupied by Indian earners. On the other hand, agricultural earners were predominantly indigenous. Indeed, though there were about 140 thousand Indian agriculturists, they accounted for only 5.2 % of the total of earners who fell into the category (1).

### **Indian workers in the agricultural sector**

As a rule, with reference to their occupation an important difference can be seen between Indians born in Burma and those born outside Burma. Most of the former were concentrated in Arakan where a large number of Chittagonian people came to settle and many were engaged in agriculture. There were a lot of permanent Indian residents in Arakan, especially in the Akyab district where the occupational distribution of Indians was con-

24) *ibid.*, p. 36

siderably different from the rest of the province. Indian agricultural workers of Arakan in 1931 numbered about 50 thousand, some 80 % of whom were born in Burma, whereas the number of Indian agricultural workers in the rest of Burma was roughly 90 thousand, only 22 % of whom were born in Burma. By and large, the Indians in the rest of the province were usually temporary residents. Almost two thirds of Indians born in Bur-

**Table 6-5** Number and Share of Workers in Ordinary Cultivation by Race.  
The Whole

— (1)	All Races (2)	Indigenous Races (3)	Percentage of all Races (4)	Indian Races (5)	Percentage of all Races (6)
Non-cultivating Owners ...	70,212	66,693	94.9	2,086	2.9
Cultivating Owners ...	1,247,836	1,216,595	97.5	20,253	1.6
Tenant Cultivators ...	749,716	702,718	93.7	41,099	5.5
Agricultural Labourers ...	1,488,330	1,398,120	93.9	77,870	5.2
Total ...	3,556,094	3,384,126	95.1	141,308	3.9

Arakan

— (1)	All Races (2)	Indigenous Races (3)	Percentage of all Races (4)	Indian Races (5)	Percentage of all Races (6)
Non-cultivating Owners ...	7,701	6,375	82.8	899	11.7
Cultivating Owners ...	76,671	60,987	79.5	11,609	13.1
Tenant Cultivators ...	69,229	51,103	73.8	15,543	22.4
Agricultural Labourers ...	89,590	61,870	69.0	22,058	24.6
Total ...	243,197	180,335	74.1	50,109	21.0

The Rest of Burma Excluding Arakan

— (1)	All Races (2)	Indigenous Races (3)	Percentage of all Races (4)	Indian Races (5)	Percentage of all Races (6)
Non-cultivating Owners ...	62,511	60,318	96.5	1,187	1.9
Cultivating Owners ...	1,171,165	1,155,608	98.7	8,644	0.7
Tenant Cultivators ...	680,487	651,615	95.8	25,556	3.8
Agricultural Labourers ...	1,398,734	1,336,250	95.5	55,812	4.0
Total ...	3,312,897	3,203,791	96.7	91,199	2.8

source) Baxter, op. cit., p. 26.

ma were engaged in cultivation of all kinds and only about one fifth in industry, trade and transport. However, if Arakan is excluded, the corresponding figures are 43.5 % and 37.4 % respectively as shown in Table 6-5. In contrast, Indian workers born outside Burma were engaged in non-agricultural occupations. In fact, the proportion of them engaged in cultivation was only 182 per 1,000 compared with 578 per 1,000 for industry, transport and trade.<sup>25)</sup>

The number of Indian workers who were engaged in ordinary cultivation was 141 thousand which accounted for less than 4 % of the total in this sector. More than 80 % of them were agricultural labourers or tenant cultivators constituting about 5.5 % of agricultural labourers and 5.2 % tenant cultivators. On the other hand, Indians formed only 1.6 % of all cultivating owners. The above figures include Indians born in Burma, especially Arakan. Therefore, the percentage of Indians in ordinary cultivation was considerably influenced by the figures for Arakan, where they made up one fifth of the total agricultural workers. If Arakan is excluded, the percentage of Indian agricultural workers to the total number of agricultural workers in the rest of Burma drops off to 2.8 %. Further, the shares of Indian tenant cultivators, agricultural labourers and cultivating owners to the corresponding total figures was 3.8 %, 4.0 % and 0.7 % respectively. Thus there is no doubt that the number of Indian workers who came to the Irrawaddy delta and were engaged in cultivation was relatively small.

### **Indian workers in other sectors**

It was in the non-agricultural sectors that the majority of Indians found jobs.<sup>26)</sup>

**Mining:** Almost half the workers in the exploitation of minerals were occupied by Indian, Gurkha and Chinese workers. Indians were most dominant, accounting for 37.3 % of all mine workers and 40 % of those in the petroleum industry. Many of them were found in tin mines in Karenni and Tenasserim, smelters in Namtu, oil fields in Upper Burma and oil refineries in Syriam.

**Industry:** Indian workers constituted only 16 % of the 664 thousand of total industrial workers, which is higher than average for the whole

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25) Census of Burma, 1931. pp. 134-5, Baxter, op. cit., p. 26

26) Census of Burma, 1931. pp. 146-8, Baxter, op. cit., p. 31-5

economy. In terms of the number of workers, the textile industry was largest, employing one third of workers in industry. Generally speaking, the textile industry was carried on mainly by the indigenous people, especially female workers. 26 % of workers in the industries of dress and toiletries were Indians. On the other hand, however, their share was comparatively much higher in such industries as food, chemicals, wood and metals. The number of workers in the food industry was 142 thousand, 26 % of whom were Indians. Most of them were employed in rice mills. In fact, half the workers in this industry were Indians. Workers in the chemical industry numbered 19 thousand, more than half of whom were accounted for by Indians. In particular, many of them worked in oil refineries. There were also numerous Indians, numbering about 9 thousand in the wood industry, the bulk of whom were employed in saw mills.

Transport: A number of Indians were engaged in transport. With regard to transport by water, they numbered 38 thousand, exceeding the number employed in rice mills and accounting for more than half of the total. There were also many Indian workers engaged in road transport. Numbering about 40 thousand accounted for one third of the total. In particular, the Indian predominance was striking among railway employees. There were some 20 thousand Indian workers constituting 73 % of the total number of railway workers.

Trade: The total number of total workers engaged in trade was 560 thousand, two thirds of whom were found in trade in foodstuffs (excluding beverages) and 17 % were Indians. The number and share of Indian workers engaged in trade in textiles, wood and foodstuffs (excluding beverages) was 7.4 thousand or 40 %, 1.6 thousand or 11 % and 45 thousand or 12 % respectively. On the other hand, Indians were much more prominent in banking, the establishment of credit, exchange and insurance as well as the ownership and management of hotels and cook-shops.

Public Administration, Liberal Arts and Miscellaneous: Workers classified as being in the public forces (army and police) numbered 31 thousand, 45 % of whom or 14 thousand were Indians. The workers classified under the heading of public administration numbered 45 thousand, 31 % of whom or 14 thousand were Indians. It is noteworthy that the share of Indians was comparatively high in the public forces and administration. Most workers engaged in professions and liberal arts were accounted for by indigenous races. In domestic service there were 24 thousand Indians who formed

more than half of the total number.

As we have seen, Indians found their jobs largely in mining, industry, transport, trade and public administration rather than agriculture. About 70 % of them worked as clerical workers, craftsmen, unskilled or semi-skilled labourers, traders and shop assistants. The degree of their concentration in these occupations was so high that it appeared that some of them were almost entirely occupied by Indians. However, though their share in agriculture was comparatively small, their contributions as seasonal agricultural workers or tenant cultivators was never negligible.

## Chapter 7

### Summary and Conclusion

Burma was colonized step by step by the British through the three stages of the Anglo-Burmese wars in the nineteenth century. Although Burma was quite different from India in respect of many points, for example, race, language, religion, culture, custom, and so forth, she was, in principle, ruled administratively as part of India until 1937 when they were politically separated. Before this, Burma was simply one province of the Indian Empire. As a result, a number of Indians came freely to Burma. The ruling system of the British over Burma may, presumably, be ascribed to the fact that they wanted to rule her as effectively and economically as possible. However, their insensible ignorance of the substantial differences between the people and societies of the two countries, before long led to serious rivalries between them.

As has been pointed out, Burma achieved phenomenal economic development during colonial times. The greater part of the development can be explained by the agricultural progress, that is to say, the remarkable extension of paddy field in the Irrawaddy delta. This was mostly waste land covered with swamp and thick jungle in the 1850s, but was transformed into one of the most productive rice bowls in Asia, with more than 10 million acres of paddy field by 1930. It was the export of rice that brought about such development. In subsequent years, indeed, Burma developed into the largest rice exporting country in the world. In order to meet the growing export demand, waste land in the Irrawaddy delta was increasingly changed into paddy field. Needless to say, the rice production newly initiated after the colonization was not for home consumption, but largely for markets to make profits, and thus a money economy penetrated into Burma.

The agricultural development of Lower Burma necessitated a modern transportation system. Therefore, to carry paddy produced in the delta to the main ports where there were big rice mills, railways were constructed and river transport was also improved to a great degree. In turn, the progress of the transportation network, such as railways, river transport, roads and canals, contributed to the rapid expansion of paddy field as well as the diffusion of small rice mills into the inner areas. With the increase in rice production, the rice mill industry made progress. In fact, many rice mills

were established in the main ports and countryside. Most big rice mills set up in the main ports were owned by the European firms and Indians, whilst small and medium-sized rice mills in the countryside were mainly owned by the Burmese. The former milled largely for export, while the latter for domestic requirements. The rice mill industry later became the largest and most important industry in Burma, absorbing one third to a half of the total number of factory workers. In addition to the striking extension of the paddy field in the Irrawaddy delta, the progress of both transport and the rice mill industry also constituted an important part of the economic development in the colonial period.

The economic development of Lower Burma gave rise to enormous demand for the fundamental production factors such as land, labour and capital. Land was supplied by bringing waste land in the Irrawaddy delta under cultivation, although Burma was decisively deficient in labour and capital from her own sources. Therefore, a substantial part of these two production factors was supplied from external sources, in particular Britain and India. Here, there was a basic reason why Burma was economically controlled by foreign elements in the colonial period. When the British annexed Pegu in the early 1850s, it was sparsely populated. Although the government expected labourers to come from Upper Burma, they did not come to settle in Lower Burma in such numbers as had been anticipated. Indeed a labour shortage was the most important barrier to further economic development. Therefore, the immigration of Indian labourers was encouraged by the government. From around the 1880s, a large number of Indians came to Burma, especially Lower Burma where they accounted for nearly 10 % of the population. In addition, a considerable amount of the capital needed for the agricultural development in Lower Burma was provided by Chettiars who came from Madras.

With the gradual elimination of obstacles, rapid economic development took place from the mid 1870s. Indeed, nearly 5 million acres of land was brought under cultivation in Lower Burma from 1875 to 1905. These three decades witnessed the most remarkable expansion of paddy field. But, in spite of firm external demand for Burmese rice, the growth rate of paddy field in Lower Burma decreased to about one percent on average in subsequent years from the beginning of this century to around 1930, because most of the superior land had been already taken up by the first decade of this century. As a result, serious changes developed in the agricultural prac-

tice as well as the rural society of Lower Burma from around the turn of the century.

The slow growth rate of paddy field led to the declining demand for tenants and labourers in the agricultural sector. This strengthened the position of landowners against them and made it easier to raise rents. Rent was, by and large, kept low at 10 % of yields plus revenue in most areas of the delta in the latter half of the last century. However, it began to rise significantly around the turn of the century. The rise in rents caused a deterioration in the tenants' standard of living. At the same time, as reclamation of the good land suitable for rice cultivation had reached its limit in the main rice-producing districts of Lower Burma in the early part of this century, land prices also began to rise. This made it more and more difficult for tenants and agricultural labourers to acquire land which had been once comparatively easily obtainable.

Furthermore, a gradual increase in land cultivated by tenants (rented land or tenant land) was seen towards the 1880s, until before which time the class differences between landowners and tenants or agricultural workers had not been so perceptible. However, these differences increased in the last two decades of the 19th century, and accelerated at the turn of the century. The government tried to set up peasant-proprietorship or cultivating ownership. Nevertheless the proportion of rented land in Lower Burma rose from some 20 % at the turn of the century and 30 % in 1910 to more than 50 % by 1931. In Lower Burma, large-scale farmers were, generally speaking, formed in two ways. One was the capitalists who developed land by investing substantial amount of money. The other was the non-agriculturists such as the professional moneylenders and traders who extended agricultural credits or loans to farmers and accumulated land through foreclosures. Thus, the transfer of large amounts of land from actual cultivators to non-agriculturists grew to be one of the most serious agricultural problems in Lower Burma. The share of land held by non-agriculturists increased from 17 % (1.2 million acres) in 1900-1 to about 30 % (3 million acres) in 1928-9 just before the great depression. Four fifths of the area held by non-agriculturists was possessed by non-Chettians at the end of the 1920s. It is worth noting that it was Chettians who collected a great deal of land during the depression in the first half of the 1930s. As a matter of fact, they acquired 1.8 million acres of land in the 13 main rice-producing districts in Lower Burma alone. As a



result, nearly one quarter of the total area of agricultural land there was owned by Chettiars. This added fuel to anti-Indian feeling among Burmese people and promoted further the separation movement from India.

The British were not satisfied with the occupation of only Lower Burma, but were deeply interested in Upper Burma as well; this was partly because it was an important source of vital labour force for the agricultural development in the delta and was abundant in natural resources such as timber, crude oil, metals and precious stones, and partly because it was located on the way to south-western China with which the British were very eager to trade. However, as Upper Burma was under rule of Burmese kings in the early colonial period, the British urged King Mindon Min to conclude commercial treaties in order to realize their ambitions in Upper Burma. The conclusion of the treaties resulted in the movement of more people from Upper to Lower Burma and more active trade between both sides in spite of the king's reluctance and the various hindrances to put in their way. From Upper Burma, timber, crude oil, precious stones, various agricultural products, hand-woven cotton and silk piece-goods and so on were sent to Lower Burma in exchange for rice, salt, ngapi and British and Indian textile goods. The growing demand for goods produced in Upper Burma affected its economy by making it more commercialised and market-oriented. Nevertheless, this economic relationship between Upper and Lower Burma did not satisfy the British, so that this developed into one of the main reasons for the third Anglo-Burmese war in 1885.

Shortly after the annexation of Upper Burma, institutional changes in land tenure and the tax system were effected by the government. By the Upper Burma Land and Revenue Regulation of 1889, land was divided into state land and non-state land. It also provided for the levy of thathameda on all classes of the population, for the assessment of rent on state land and for the assessment of revenue on non-state land. In addition, many irrigation projects were launched to boost rice production in this region. Paddy acreage in Upper Burma was exactly doubled from 1.2 million acres in the early 1890s to 2.4 million acres in the second half of the 1920s, while the irrigated area was trebled from 240 thousand acres to 740 thousand acres during almost the same period. However, Upper Burma was still dependent on rice imported from Lower Burma to some extent. Meanwhile, another major agricultural change in this period was that crops other than paddy spread quickly into this region. In particular, groundnut and

sessamum were grown extensively in Miektila, Shwebo, Magwe, Pakkok and Lower-Chindwin for their edible oils. Besides this, the area for cotton and millet was also expanded considerably. This diversification of crops contributed to the improvement in the economic situation of peasants. Crops other than paddy constituted about two thirds of the total agricultural land in Upper Burma.

With the collapse of the Konbaung dynasty, the exploitation of natural resources produced in Upper Burma such as crude oil, timber and metals made great progress. In particular, the production of oil increased at an exceedingly high speed and grew to be the second most important export next to rice. The principal oil company was the Burma Oil Company established in 1886, which accounted for three quarters of the total oil production in Burma. The production of timber also rose considerably after the annexation of Upper Burma. As a rule, the extraction of timber was performed largely either by private companies or by the forestry department of the government. More than three quarters of the total outturn was in the hands of firms set up by the Europeans.

There is no doubt that the economic situation was significantly improved after the annexation of Upper Burma, due to the considerable extension of various crops and the exploitation of natural resources. This improvement had a suppressive effect on the population movement from Upper to Lower Burma. To be sure, the outflow of population from this region to the delta still was continued, but the net outflow (the outgoing population from Upper Burma minus the incoming population) undoubtedly began to decrease in most districts of Upper Burma after the beginning of this century. This was especially true of the districts of Magwe, Yamethin, Shwebo. As was noted previously, a substantial economic development and growth was witnessed in both Lower and Upper Burma. Certainly external trade played a vital role in this economic progress. Indeed, the most dynamic factor in the economic development of Burma during the colonial period was the export of primary products, in particular, rice, timber, oil products and so on. Of the various exports, rice was the most important, and accounted for more than half of the total exports of Burma. In the 19th century, most rice was sent to Europe in the form of cargo rice, and later white rice, and this trade was further promoted by the opening of the Suez Canal and the switching from sailing vessels to steamers. The principal market for Burmese rice was Europe until the 1910s, but after that it was replaced by

India. From the beginning of this century, oil products grew to be the second most important export. The share of oil products to total exports rose from 10 % in the first half of the 1910s to 30 % in the 1930s. About four fifths of oil products produced in Burma went to India. Almost half the kerosene consumed in India was supplied from Burma. From the turn of this century, the share of timber declined owing to the severe competition with Thai teak, while the export of non-ferrous metal increased due to the firm demand during and after the First World War.

Imports also showed a striking growth in parallel with exports. This might be attributable not only to the increase in national income, but also the mono-cultured economic structure. In fact, most manufactured goods were obliged to be imported because the economy formed during this period was heavily dependent on agriculture. By and large, two thirds of total imports were made up by consumer goods, most of which were foodstuffs and textiles. At the same time, producer goods constituted nearly one third of total imports. This reflected the low degree of Burma's industrialization. Thus, imports were not oriented towards capital accumulation, but consumption. Burma imported manufactured goods mostly from Britain and India. In other words, she was a market for goods produced in these countries. The combined share of these accounted for more than 70 % at all times. Thus, the inflow of manufactured goods was one of main reasons for the retardation of Burma's industrialization.

In general, as exports were always much greater than imports, Burma constantly showed a huge trade surplus through the colonial period. However, a considerable part of the profits made by European firms and Chettiars and wages earned by Indian workers was sent back to their home countries. Therefore, the trade surplus was, to a substantial degree, offset by the large amount of remittances. According to U Aye Hlaing's estimation about the balance of current transaction of 1938-39, it was only Rs. 60 million, while the trade surplus was Rs. 297 million.

Needless to say, the colonial rule over Burma created a large of administrative cost. In order to meet the growing expenditure, it was important for the local government to establish a financial system as soon as possible. It was in 1878-9 that the Provincial Contract System was introduced for the purpose of promotining the greater efficiency of public finance. Before that, Burma's public finance was totally controlled by the central government. By the introduction of this System, the provincial government

received fixed portions of revenues for their requirements, and the remaining portions were taken over by the Government of India for imperial purposes. As a result, almost half to one third of the revenue receipts of Burma under the Contract Provincial System went to the treasury of the central government. To replace this System, the Devolution Rule was laid down in 1921 in line with the Government of India Act 1919, by which the revenue and expenditure of the central and provincial governments were separated. However, it does not seem that Burma benefited much from the fiscal reform; rather, the imperial share of the revenue receipts from Burma increased to nearly half during the period of 1928-9 to 1934-5, compared to one third at the time just before the reform. Moreover, the central government still continued to exercise a high degree of control over the Government of Burma. What is more the revenue receipts increased considerably from about Rs. 20 million in the early 1870s to nearly Rs. 100 million in 1912-3, and then to more than Rs. 200 million in the latter half of the 1920s. The major revenue items were land revenue, customs duty, income tax and forestry revenue. Of them, land revenue and customs duty were the most important, together constituting 50 to 70 % of the total revenue. The increase in land revenue was brought about largely by the striking expansion of paddy field in the Irrawaddy delta; in fact it was the largest revenue item until the latter half of the 1910s. However, it was replaced by customs duty in the 1920s, because there was a substantial rise in the rates of import and export duties during and after the First World War. With respect to expenditure, a disproportionately large amount was spent on general administration under the heading of law and order and revenue collection, while expenditure on projects contributing to economic growth was relatively small.

However, the most important problem in terms of the public finance of Burma was that she was forced to owe a very heavy financial burden to the Government of India. Burma's budget showed a substantial surplus at first glance, yet most of this went to the treasury of the central government. Burma, as a local government, had to bear the heavy financial burden of subsidising imperial expenditure. Moreover, only 30 % of the amount paid to the central government was refunded to Burma; as a result, net payments accounted for 25 % to 40 % of her gross revenue. This unrefunded sum was regarded as 'a tribute to India' or 'appropriated from Burma'.

The bulk of production factors were directed to rice production, so that

an economy heavily dependent on agriculture was created, and is often referred to as a mono-cultured economy. According to the census of 1931, two thirds of workers were engaged in agriculture. However, other major industries such as manufactures, transport and trade were closely linked with agriculture, too. Therefore, the majority of workers were directly or indirectly involved with agriculture. The industrial sector made up about 10 % of the total number of employees, but only 14 % of them were factory workers. As a rule, the degree of Burma's industrialization was so low that almost all manufactured goods had to be imported. What is more, their importation was an impediment to the progress of the manufacturing industries. This was typically observed in the textile industry.

The economic development of Burma created a great number of opportunities for investment. However, these were mostly taken up by foreigners or foreign firms because of the lack of indigenous capital in Burma. There is no doubt that a considerable part of the total investment was from foreign sources, but accurate figures are not available. Although the enormous demand for investment funds stemmed from the agricultural expansion in the Irrawaddy delta, nearly two thirds of it was met by Chettiars. In addition, almost all major natural resources such as oil, timber, and non-ferrous metals were exploited for export by foreign firms. To carry out public works, for example railway construction, the government raised funds outside Burma. According to Andrus, the balance of foreign investment as of 1941 was estimated to be £ 155 million, of which Chettiars, foreign firms and the government formed 36 %, 30 % and 30 % respectively. Thus, as the major parts of the economy were under the control of foreign firms, most profit was sent out of Burma.

As the great demand for labour could not be solely met by the indigenous people in Burma, the immigration of Indians was encouraged by the colonial authorities. Thus, a large number of Indians came to Burma as seasonal workers or semi-permanent immigrants. There were no administrative obstacles to their coming, because Burma was ruled as part of India. In general, they preferred non-agricultural occupations to agriculture itself. This was more true of migrant Indian workers coming to the Irrawaddy delta; on the other hand, there were many Indians in Arakan who were engaged in cultivation. According to the census of 1931, there were 0.65 million Indian workers, forming 9.5 % of the total. About 80 % of Indian workers were engaged in occupations other than cultivation. And almost

half of them were engaged in occupations relating to the preparation and supply of material substances, that is to say, industry, transport and trade, while public administration and liberal arts and miscellaneous occupations accounted for 7 % and 10 % of them respectively. Therefore, the shares of Indian workers were significantly higher in major industries or occupations other than agriculture, particularly mining, rice mills, oil refinery, saw mills, metals, river transport, railways, trade in foodstuffs, textiles and wood, public administration, public force, and domestic services.

Burma undoubtedly experienced a remarkable economic development during the colonial period. The agricultural development of Lower Burma which meant the striking expansion of paddy field in the Irrawaddy delta as well as the exploitation of other major natural resources such as oil, timber and metals constituted the core of this economic development. It is impossible to understand the development without considering the economic and political relationship with India. That Burma was ruled by the British as part of India meant that it was built in to the Indian economy. Thus, India, together with Britain, had also a special influence on Burma's economic development. India was not only an important supplier of the production factors of labour and capital, but was also the largest buyer of Burma's products. In this way, India played a vital role in the Burma's economic development; at the same time, this also resulted in the rivalry between indigenous Burmese and Indians.

As has been shown, the economy shaped in the course of this development suffered from structural defects peculiar to the colonial system. In practice, as a local government of India, Burma was forced to carry a heavy financial burden for the central government. Major non-agricultural occupations were made up to a considerable degree by Indians, who came to Lower Burma during this period. The capital needed for the reclamation of waste land in the delta and the exploitation of natural resources such as oil, timber and metals was mostly supplied by Chettiers and European firms. As a result, the lucrative fields of the economy were almost all put under the control of foreign firms or foreigners. In the case of rice cultivation, it was for the most part indigenous people who bore the toilsome work in paddy field, but such businesses as agricultural credit, marketing, trade, rice milling and shipping were mainly in the hands of Indians, Europeans and the Chinese. Moreover, the exploitation of other important natural resources and transporting business were almost all done by Euro-

pean firms, largely represented by the Burma Oil Company, the Bombay Burmah Trading Company, the Burma Corporation, the Burma railway Company and the Irrawaddy Flottilla Company.

That main aspects of the economy were dominated by foreigners led to the outflow of a great deal of wealth from Burma. A large amount of money was annually remitted abroad as financial revenue to the Government of India, business transfers by Chettiars and European firms as well as the Indian and Chinese remittances. For example, according to the U Aye Hlaing's estimation of the yearly amount of business transfers and other remittances around the latter half of the 1930s, it was approximately equivalent to one quarter of national income (NDP) in 1938-39. There is a possibility of overestimation in his figures, particularly if we compare them to the estimation of Ady. However, there is no doubt that a large sum of money was sent back home by foreigners every year. At the same time, the great majority of indigenous people who mostly made a living from agriculture, either directly or indirectly, remained very poor. Even relatively wealthy farmers lost their holdings to moneylenders, especially Chettiars, during the great depression of the early 1930s. Taking into consideration these facts, we must conclude that it was foreigners rather than the indigenous people who mainly benefited from the economic development of Burma during the colonial period.

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