

# The Strings of Neutralism: Burma<sup>1</sup> and the Colombo Plan

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## Introduction

This is a study in the politics of aid. It examines the attempt to extend the Colombo Plan, an aid programme initiated by the Commonwealth, with American participation, to Burma in the early 1950s. The article explores the intricacies involved in reconciling Burma's policy of neutralism with the objectives of Western aid against the background of the Cold War. Could the Burmese government accept Western aid, which it needed for development, without compromising its foreign policy principles? Would participation in an aid programme sponsored by one of the ideological blocs in the Cold War not offer political and propaganda opportunities to the communist opposition within the country?

The diplomatic effort to persuade Burma to participate in the Colombo Plan, in the light of the foregoing questions, provides an interesting study in the politics of aid. This theme has not received serious attention in the literature on the Colombo Plan, which has focused mostly on the programme's origins, and on the role of the Western powers.<sup>2</sup> The literature is silent on how the programme was extended to individual countries, particularly the non-Commonwealth countries in the Asia-Pacific region.<sup>3</sup> There is in fact nothing as yet on how Burma became a participant in a Western aid programme in spite of its avowed policy of neutralism. This is the subject of this article.

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<sup>1</sup> In 1989 Burma changed its name to Myanmar, and that of its capital from Rangoon to Yangon. The old names are used in this article to maintain the historical context and time frame.

<sup>2</sup> See Nicholas Tarling, "The United Kingdom and the Origins of the Colombo Plan," *The Journal of Commonwealth and Comparative Politics*, vol. 24, no. 1 (March 1986), pp. 259-274; David Lowe, "Percy Spender and the Colombo Plan, 1950," *Australian Journal of Politics and History*, vol. 40, no. 2 (1994), pp. 162-176; Harry F. Bansberg, "The United States and the Colombo Plan," *India Quarterly*, vol. 15 (April-June 1959) pp. 130-141; Keith Spicer, "Clubmanship Upstaged: Canada's Twenty Years in the Colombo Plan," *International Journal*, vol. 25 (Winter 1969-70), pp. 23-33; Antonin Basch, "The Colombo Plan: A Case of Regional Economic Cooperation," *International Organization*, vol. 9, no. 1 (February 1955), pp. 1-18; H. F. Angus, "Political Aims and Effects: Colombo Plan," *Political Studies*, vol. 3 (October 1955), pp. 325-344; Frederic Benham, "The Colombo Plan," *Economica*, vol. 21 (May 1954), pp. 93-112; John R. E. Carr-Gregg, "The Colombo Plan: A Commonwealth Programme for Southeast Asia," *International Conciliation*, vol. 467 (January 1951), pp. 1-55.

<sup>3</sup> The author has done a study on how Japan joined the Colombo Plan. See Ademola Adeleke, "The Donor from the East: The Colombo Plan and the Beginnings of Japan's Official Development Assistance," *Lagos Historical Review*, vol. 2 (2002), pp. 1-14.

## **The Colombo Plan**

The Colombo Plan for Cooperative Economic Development in South and Southeast Asia began operations on 1 July 1951. This followed the adoption of economic and technical assistance proposals that the then Australian external affairs minister, Percy Spender, presented to the Commonwealth foreign ministers' meeting in Colombo, Ceylon (now Sri Lanka) in January 1950. In proposing the aid programme Australia had been motivated essentially by strategic considerations—the resurgence of communism, symbolized by Mao's victory in China, and the threat it posed to regional stability.<sup>4</sup> The government of Prime Minister Robert Menzies responded to this renewed danger with two mutually interactive proposals—a Pacific pact to enhance Australia's security, and an economic and technical assistance scheme to strengthen the non-communist states in the region “against the effective penetration of Communist imperialism.”<sup>5</sup> The former led to the creation of ANZUS, which extended America's security umbrella over Australia and New Zealand. The latter formed the kernel of the proposal that the Commonwealth foreign ministers transformed into the Colombo Plan.

The plan, as designed by the Commonwealth, sought to resolve the correlation between poverty and communism. It was based on the logic that poverty and underdevelopment, and a huge population, made the non-communist states in the Asia-Pacific region vulnerable to communist subversion; that economic development was the most effective weapon against this menace; and that a significant improvement in living standards in the region would render communism less attractive to the people. It would strengthen the non-communist governments and enhance their capacity to resist the communist threat. It would improve regional stability, foster trade and industry, and promote harmonious relations between Asia and the West. The Colombo Plan was promoted as the medium through which Western aid—capital and technical assistance—would be made available to the Asian countries.

The plan was in essence an instrument of containment and for that reason it was targeted at all the countries, Commonwealth and non-Commonwealth, within the strategic and security orbit of the Soviet Union and China. “The United Kingdom, the old Commonwealth countries and the United States,” a British Foreign Office memorandum to Cabinet asserted, “regard the area [South and Southeast Asia] as a strategic whole.” The memo also asserts that

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<sup>4</sup> See Appendix: “Statement on Foreign Policy by the Minister for External Affairs, The Hon. P.C. Spender in the House of Representatives, 9th March, 1950” in P.C. Spender, *Politics and a Man* (Sydney, 1972), pp. 307-29; P.C. Spender, *Exercises in Diplomacy: The ANZUS Treaty and the Colombo Plan* (Sydney, 1969); D.V. LePan, *Bright Glass of Memory* (Toronto, 1979), p. 174; Lowe, “Percy Spender and the Colombo Plan.”

<sup>5</sup> Spender, “Statement on Foreign Policy,” p. 315.

[t]he common policy is to prevent the spread of communism in the area. By checking the increase of poverty and social insecurity, by promoting stability and by encouraging a feeling of unity and solidarity among the countries of the Colombo region, the Colombo Plan is an important weapon against communism. These are not principles which can be applied to the Commonwealth countries and neglected in the others. Any attempt to do so would cast doubt on the good faith of the west ... [and] the Plan will [sic] have failed in one of its primary objects.<sup>6</sup>

### **Burma, Neutralism and Foreign Aid**

For the government of Burma the Colombo Plan offered both economic possibilities and political pitfalls. How much aid was the country likely to receive through the programme? Could such aid be offered without strings? Would participation in the programme not impinge on its policy of neutralism and nonalignment? How could the country balance its need for development assistance with its desire to maintain its foreign policy principles? Would the political price outweigh the economic benefits? The task of the promoters of the Colombo Plan, the United Kingdom in particular, was to convince the Burmese that the programme was not 'political' in orientation or purpose and was designed primarily to promote regional stability and economic development.

This was not going to be an easy task, certainly not for the British diplomats charged with the responsibility of bringing Burma into the programme. As R.H. Scott, the assistant under-secretary of state for South Asian Affairs in the Foreign Office noted, there was "suspicion [in Burma] that the Colombo plan was a deep-laid plot on the economic plane to force the countries in the area to show where they stood politically." The Burmese were "concerned that participation in the Colombo Plan would prejudice their neutrality."<sup>7</sup> Did it? How were these fears overcome and why did Burma agree to participate in the programme?

The Union of Burma is an ethnic mosaic in which the Borman ethnic group make up about 68 percent of the national population, while the remaining third is divided among a host of minority groups such as the Karen, Shan, Kachin, Chin, Mon, Pao, Arakan and others. The 1947 constitution, which laid the foundation for independence, granted unequal rights to the different ethnic groups, reinforcing the fear of domination induced by centuries of antagonistic interaction among the various groups.

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<sup>6</sup> Memorandum by the Foreign Office [to the] Cabinet Working Party on Economic Development in South and Southeast Asia: Provision of Financial Assistance by the United Kingdom to Non-Commonwealth Members of the Colombo Plan, 21 July 1953, CAB 134/867, E.D.(S.A.) (53)10, Public Record Office, London (hereafter PRO).

<sup>7</sup> American Embassy, London to the Department of State: Minutes on US-UK Talks on South Asia, 15 February 1951, RG 59, Microfilm C0046 Reel 14, 890.00/2-1551, National Archives, Washington (hereafter NA).

Hence, upon attaining independence in January 1948 Burma remained politically unstable, and was soon engulfed in a multiple civil war in which communist insurgents tried to topple the government while ethnic minorities fought for greater autonomy.<sup>8</sup> In 1949 thousands of Chinese Nationalist Kuomintang (KMT) forces launched an incursion into the country to further aggravate problems for the central government.

Amidst this confusion Prime Minister U Nu unveiled, in May 1948, the so-called 'Leftist Unity Programme,' which laid out the 15 principles that would guide his government's socialist development programme. Three of these, proclaimed as the cornerstone of the country's foreign policy, involved (1) maintaining friendly relations with all countries, (2) avoiding alignments with the power blocs, and (3) rejecting any foreign aid which would be detrimental to the political, economic and strategic freedom of Burma. "When foreign aid is offered to us," the Unity Programme declared, "we must consider very carefully whether it is in the nature of a charitable gift like a contribution to a Red Cross, or whether it is just an extension of friendly mutual aid between two countries, or whether it is aid of the kind through which we shall be enslaved."<sup>9</sup>

These principles and the associated criteria for receiving aid are important in understanding Burma's attitude to the Colombo Plan. They were informed by the realities of the country's politics and reflected the precarious position in which the ruling party, the Anti-Fascist People's Freedom League (the AFPFL coalition), and in particular, the dominant bloc within it, U Nu and his socialist associates, found themselves. Communist elements had served as the vanguard and the mobilizing agency of the popular uprising against Japanese occupation during the Second World War and were still active and influential in post-independence Burma. The two communist parties, the Burma Communist Party (BCP) and the Communist Party of Burma (CPB), both of which were manoeuvred out of the AFPFL by the non-communist elements, were the main insurgent organizations attempting to overthrow the government. In the circumstances, Marxism had widespread appeal in Burmese politics; it engendered a corresponding degree of antipathy towards the West and encouraged criticism of 'Anglo-American imperialism.'

The government's policy of neutralism and nonalignment, which it modelled on that of Nehru's India,<sup>10</sup> was designed to ensure its survival. It

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<sup>8</sup> For a detailed examination of the history of ethnic conflict in Burma, see, for example: Martin Smith, *Burma: Insurgency and the Politics of Ethnicity*, 2nd edition (London, Zed Books, 1999). See also International Crisis Group (ICG), "Myanmar Background: Ethnic Minority Politics," *Asia Report*, 52 (7 May 2003), available at <http://www.crisisweb.org/home/index.cfm?id=1528&l=1>, site last accessed January 14, 2004.

<sup>9</sup> Quoted in W. C. Johnstone, *Burma's Foreign Policy: A Study in Neutralism* (Cambridge, Mass., 1963), pp. 45-7. See also CIA, Current Situation in Burma, 17 March 1949, HSTP, PSF, Box 255, Intelligence File, O.R. E., 1948, Harry S. Truman Library (hereafter HSTL).

<sup>10</sup> See Johnstone, *Burma's Foreign Policy*, p. 53.

took account of its own weakness as much as that of the country itself, and provided a means to outflank the communist elements within and outside the ruling coalition who wanted to set Burma firmly in the communist camp. Its foreign aid position, for instance, was based on the recognition that Western assistance could serve as an effective propaganda tool for the communists, who could use it to undermine the government's credibility. As the CIA observed in one of its reports, "acceptance and use of such assistance would present the government with the complex and delicate problem of convincingly refuting charges of subservience to foreign interests."<sup>11</sup>

Neutralism also offered an avenue for Burma to balance the contending interests of its two giant neighbours, China and India. The Burmese government had to respond delicately to the diplomatic and security situation created in its relations with China by the activities of the Kuomintang forces on its territory. From their hideouts in the remote mountain region along the Sino-Burmese border, the Kuomintang were waging a clandestine war against the communist regime in Beijing. The possibility that the situation could precipitate conflict between Burma, the reluctant host, and China, or provide an excuse for a powerful neighbour to interfere in the internal affairs of a small and weak country, was not lost on Rangoon, making it all the more necessary for the U Nu government to affirm its policy of neutralism in word and deed.<sup>12</sup> In short, neutralism was for the government a matter of strategic expediency: a policy response to domestic, regional and geopolitical realities.

Geopolitically, Burma's instability placed it in a fluid position within the Cold War configuration of power: it could either fall to communist subversion engineered from within or it could follow the democratically-based, socialist development path, with its associated foreign policy of neutralism, outlined by Prime Minister U Nu. The goal of the West was to ensure that, at the very minimum, the latter option prevailed. There was therefore, to a certain extent, some congruence between the objectives of the West and the needs of the U Nu government. Its political vulnerability, and its desperate need for foreign aid, offered a window of opportunity that could be exploited to the benefit of the West. Foreign aid could be used as the instrument for promoting Western objectives in the country and in Southeast Asia generally. "If future stability and prosperity in Burma could be partly attributed to Western assistance," the CIA noted, "it might incline other nations in Southeast Asia to identify their interests with the Western Democracies."<sup>13</sup>

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<sup>11</sup> CIA, Communist Influence in Burma, 11 January 1950, HSTP, PSF, Box 257, Intelligence File, O.R.E., 1949, HSTL.

<sup>12</sup> The government resolved the problem by (1) ordering the Burmese army into battle against the Kuomintang, thereby demonstrating its opposition to the group, and (2) taking the issue to the United Nations which, on 22 April, 1953, passed a resolution directing the Kuomintang to lay down their arms and leave Burma. In return China refrained from supporting the insurgency campaign of the Communist Party of Burma (CPB).

<sup>13</sup> CIA, Current Situation in Burma, 17 March 1949, HSTP, PSF, Box 255 Intelligence File, O.R.E., 1948, HSTL.

In spite of its socialist agenda the country remained economically orientated and militarily dependent on the United Kingdom. Much of its rice exports, its main source of foreign exchange, was contracted through Britain to India, Malaysia and Ceylon. Although it had repudiated its Commonwealth links at independence (the only British Asian colony to do so) it remained a member of the sterling bloc. The U Nu government signed (and continued to defend against communist criticism) the Anglo-Burmese Treaty, under which Burma pledged to pay compensation for nationalized British assets, pay the country's sterling debts, and accept a British Military Mission. When it ran into serious balance of payment difficulties in 1949 it was to Britain and the Commonwealth it turned for a loan. (The loan was discussed at the Commonwealth foreign ministers' conference in Colombo in January 1950). Since the Colombo Plan's mutual aid concept fit almost perfectly the second of the three criteria the U Nu government had outlined as the basis for deciding whether to accept any aid offers, it was likely to respond to the programme, especially if British diplomacy respected and reflected Burmese sensibilities.

### **The Strings of Neutralism**

The Colombo Plan was given its concrete form at the meeting of the Consultative Committee held in London in September 1950. The meeting issued a report titled 'The Colombo Plan for Cooperative Economic Development in South and Southeast Asia,' embodying the development plans of the Asian Commonwealth countries. From October 2 to 5, the committee met with representatives of some non-Commonwealth states—Burma, Cambodia, Indonesia, Laos, Thailand and Vietnam—to brief them on the programme. British Treasury officials had also travelled to all the non-Commonwealth states before the meeting to explain the mechanism of the programme.

Yet three months after the London meeting there was no evidence that British diplomacy had had any impact, however marginal, on Burmese attitudes to the programme. This was the import of a letter, dated 4 January 1951, which J.D. Murray of the Foreign Office wrote to R. Speaight, the British ambassador in Rangoon. "We have not had a single word out of them," Murray lamented, "favourable or unfavourable since the October meeting." Would Speaight inquire about "the present Burmese attitude towards participation?"<sup>14</sup>

Discussions did take place thereafter between Malcolm MacDonald, the commissioner general for the United Kingdom in Southeast Asia, and Speaight on the one hand, and U Nu and his officials on the other. It

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<sup>14</sup> Foreign Office to British Embassy, Rangoon, 4 January 1951, FO 371/93035, FZ1102/22, PRO.

transpired that the Burmese had serious reservations about the Colombo Plan. Some of these were banal, and dealt with the practical difficulties of preparing a development plan, as was required of all aid recipient members. The real obstacle was political and it went to the heart of the problem: “the deep-rooted suspicion that there are strings attached and that the Commonwealth would only grant aid in return for some limitation on its use which would be incompatible with Burma’s independent status.” The suspicion, MacDonald and Speaight were informed, was based on the government’s experience with a previous Commonwealth loan.<sup>15</sup>

What was in the nature of this experience that appeared to have reinforced the government’s misgivings about foreign aid? In June 1949 negotiations for a Commonwealth loan stalled when Burma rejected a proposal for the establishment of a ‘committee’ of Commonwealth representatives in Rangoon to coordinate economic assistance and oversee the government’s anti-insurgency campaign.<sup>16</sup> Subsequently a loan of £6 million (contributed by Britain, Australia, Ceylon, India and Pakistan) was granted as a ‘Ways and Means’ facility to provide backing for the Burmese currency. In plain language this meant that it would be in the form of blocked sterling to be held in London and would therefore not be available to the Burmese government for purchases overseas. These restrictions were imposed, Ernest Bevin revealed, when the subject came up for discussion at the Colombo conference of Commonwealth foreign ministers in January 1950, in order to reduce the risk that the loan would not be repaid.<sup>17</sup>

No doubt, by imposing such limitations on the loan, the British did succeed in hedging their investment. For the Burmese, however, the experience was ‘unpalatable.’ The conditions were “humiliating and showed lack of confidence in Burma.” It was inconceivable, they wondered, that the United Kingdom, “with all her resources, was not able to produce £6 million on her own account without feeling it.” U Nu had wanted to reject it, he informed MacDonald, but had been prevailed upon to accept because the country needed it. In the end he accepted it but resolved not to use it. The whole Commonwealth loan episode had been for him a lesson in the politics of foreign aid. Now the same Commonwealth was asking his government to participate in another aid programme.<sup>18</sup>

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<sup>15</sup> British Embassy, Rangoon to the Foreign Office, 23 January 1951, FO 371/93038, FZ1102/114, PRO. See also Commonwealth Relations Office to U.K. High Commissioner in Canada: Burmese Participation in Colombo Plan, 31 January 1951, FO 371/93038, FZ1102/114B, PRO.

<sup>16</sup> See Richard Speaight to Ernest Bevin: Burma and the Colombo Plan, 7 February 1951, FO 371/93040, FZ1102/178, PRO. See also Johnstone, *Burma’s Foreign Policy*, p. 60.

<sup>17</sup> Commonwealth Meeting on Foreign Affairs: Minutes of the Seventh Meeting, 12 January 1950, RG 25, Vol. 2285, S-30-1, Public Archives of Canada, Ottawa (hereafter PAC).

<sup>18</sup> See Richard Speaight to Ernest Bevin: Burma and the Colombo Plan, 7 February 1951, FO 371/93040, FZ1102/178, PRO.

The best way to overcome the suspicion, and ensure their participation in the Colombo Plan, the Burmese proposed, would be through an ‘imaginative gesture’ such as “offer[ing] Burma straight away a named sum to finance the development projects without the prerequisite of a programme, but on condition that details should be worked out later in agreement between Burma and the Commonwealth experts.”<sup>19</sup> In a formal note to the British government the Burmese stated their condition for accepting membership in the Consultative Committee:

In order that the aid under the Colombo award would receive the wholehearted backing of the people of Burma the Colombo Plan countries should announce that on Burma deciding to join the Colombo Plan a total sum of £XX,000,000 [sic] would be available for the evolution and execution of her plans of development over the six year period ... The Burmese Government would of course be prepared to assist the Colombo Plan countries in the determination of a reasonable figure.<sup>20</sup>

In setting the conditions the AFPFL leadership was in essence calling the bluff of Britain and the Commonwealth: if indeed there were no *strings* attached to Colombo Plan aid; if the Commonwealth was motivated solely by a desire to assist Burma, such assistance, in specific figures, could be offered in advance while the details were worked out later. The ball was now back in His Majesty’s government’s court.

Would Britain, and indeed the Commonwealth, put altruism and generosity before responsibility and accountability? Apparently not. As Murray noted in conversation with Donald D. Kennedy of the State Department, the Burmese condition “cut across the whole Colombo concept,” which required participating countries to demonstrate their development initiatives and prove the need for supplementary external finance.<sup>21</sup> Whitehall’s response dealt mainly with the problem associated with the preparation of the development programmes. Speaight was to inform the Burmese that the British government had already recognized that non-Commonwealth countries might be unable to prepare detailed six-year development plans. It therefore intended to propose at the next meeting of the Consultative Committee (Colombo, February 1951) that they should be allowed to submit ‘country chapters’ detailing their annual programmes for inclusion in the report.

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<sup>19</sup> British Embassy, Rangoon to Foreign Office, 23 January 1951, FO 371/93038, FZ1102/114, PRO.

<sup>20</sup> See British Embassy, Rangoon to Foreign Office: Colombo Plan, 2 February 1951, FO 371/93039, FZ1102/154, PRO.

<sup>21</sup> See American Embassy, London to the Department of State: Minutes on US-UK Talks on South Asia, 15 February 1951, RG 59, Microfilm C0046 Reel 14, 890.00/2-1551, NA. See also British Embassy, Rangoon to Foreign Office: Colombo Plan, 2 February 1951, FO 371/93039, FZ1102/153, PRO.

On the more crucial question of ‘strings,’ it is interesting to note that the Foreign Office neither refuted nor admitted the Burmese suspicion that Colombo Plan aid was tied. Its response was at best an exercise in diplomatic obfuscation. “As regards the “strings” attached to the provision of aid,” Speaight was instructed, “you should limit yourself to saying that the other Asian participating countries have not considered that joining the Plan restricts their freedom of action.” This was however hardly sufficient to calm Burmese suspicions. And the Foreign Office knew it. Clearly there was a need for more proactive diplomacy. This took the form of a request to the Asian Commonwealth governments to attempt to persuade Burma that “participation in the Plan would not have any political implications or infringe upon their sovereignty.” A similar request was made of the United States.<sup>22</sup>

In the event the Burmese government agreed to send an observer to the Colombo conference to plead its case for advance allocation of aid in specific figures. There it asked to be treated as an exceptional case because it had suffered devastation and dislocation from insurrection. This elicited the usual diplomatic platitudes from the Consultative Committee members, and nothing else besides. Burma would not receive any advance pledges of aid. At the end of the meeting the British delegation recommended that no further attempts should be made to persuade Burma to abandon its preconditions for participating in the programme. Instead it should be allowed to make the next move.<sup>23</sup>

Rangoon made its next move, not in London but in Washington. In April 1951 James Barrington, its ambassador to the United States, met with State Department officials to inquire what the American response would be if Burma decided not to participate in the Colombo Plan. His government wanted to avoid close association with the Commonwealth, the ambassador explained, and would prefer to reduce its connection with the sterling bloc. Would Burma continue to receive dollar aid if it ignored sterling aid? If it refrained from participating in the Commonwealth programme would this invalidate its case for American aid?

Perhaps. This was the essence of the State Department’s response. The United States, the ambassador was informed, “encourages the countries of Southeast Asia to participate in the Colombo Plan.” In appropriating funds for foreign aid Congress “might take into account failure to take advantage of other available sources of aid.” If Congress were to impose conditions that Burma would find unsatisfactory sterling aid might become valuable. “Unless Burma were the only country in Southeast Asia not to participate in

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<sup>22</sup> Foreign Office to U.K. Embassy in Rangoon: Burmese Participation in the Colombo Plan, 29 January 1951, FO 371/93038, FZ1102/114, PRO.

<sup>23</sup> See U.K. High Commissioner in Ceylon to Commonwealth Relations Office, Colombo Plan, 22 February 1951, FO 371/93042, FZ1102/247, PRO. See also G. R. Bell (Treasury) to J. D. Murray (Foreign Office), 3 April 1951, FO 371/93044, FZ1102/328, PRO.

the Colombo Plan, its failure to join would probably not be given great weight in considering future American aid.”<sup>24</sup>

In initiating this dialogue with the State Department, the Burmese may have assumed that future American aid would follow the pattern set in September 1950 when they received an outright grant of \$8,010,000 through the Economic Cooperation Administration (ECA).<sup>25</sup> By contrasting this with the Commonwealth loan the AFPFL leadership must have reasoned that American aid had no strings attached to it and was therefore in conformity with their cherished foreign policy principles. If they could secure assurances of future American aid they could ignore the Commonwealth whose aid, if past experience were any guide, would impinge on their policy of neutralism and nonalignment.

The State Department’s response obscured the fact that the Mutual Security Act—which would tie American aid to strategic imperatives—was already in Congress and would be passed into law in October 1951. For the moment, the Burmese remained hopeful that American aid would be dispensed, to use U Nu’s phrase, as if it was a charitable donation to the Red Cross. The AFPFL leadership continued to ignore overtures from London, concentrating instead on securing additional assistance from Washington.

The bubble burst in January 1952 when the Americans requested an exchange of notes to meet the requirements of the Mutual Security Act. Section 511(B) required all recipients of American aid “to take such action as may be mutually agreed upon to eliminate causes of international tension.” The U Nu government saw this as a direct infringement of its policy of neutralism and therefore considered it unacceptable.<sup>26</sup> In the end it agreed to sign the notes, first because the State department decided to remove the offending clause ‘as may be mutually agreed upon’ from the phraseology,<sup>27</sup> and secondly because Burma had already benefited from the Technical Cooperation Administration (TCA) programme for which the notes were required. Having received part of the aid, the government had to meet its reciprocal obligations.

Yet again, U Nu and his associates had received a lesson in the politics of aid. And once again they retreated, this time away from the United States and towards the Commonwealth. Now it dawned on them that Colombo Plan aid, which was being promoted as a mutual assistance and cooperative

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<sup>24</sup> Memorandum of Conversation: Burma and the Colombo Plan, 5 April 1951, RG 59, Microfilm C0046 Reel 14, 890.00/4551, NA.

<sup>25</sup> The US-Burma Agreement signed in Rangoon in September 1950 provided for a grant aid of US\$8-10 million.

<sup>26</sup> See American Embassy, Rangoon to the Department of State: Exchange of Notes required under Section 511(B), Mutual Security Act [plus Enclosures], 11 January 1952, RG 59, 790B.5MSP/1-1152, NA.

<sup>27</sup> See American Embassy, Rangoon to the Department of State: Exchange of Notes to meet requirements of Section 511(B), Mutual Security Act, 11 January 1952, RG 59, 790B.5MSP/2-1152, NA.

effort, might in the end be preferable to 'mutual security' aid. On 9 January (a day after the US-Burmese dialogue on the exchange of notes) the Burmese government formally notified the British government that it had decided after careful consideration to participate in the Colombo Plan.<sup>28</sup> The decision took everyone, not least the British, by surprise but the reason was quite evident: "the Burmese decision was unexpected," the British ambassador in Rangoon wrote, "the decisive factor may well have been Government's reluctance to comply with undertakings prescribed by [the] American Mutual Security Act and fear that American aid will in consequence be curtailed."<sup>29</sup> The AFPFL leadership's conclusion that American aid under the mutual security regime came close to its third criteria for assessing foreign aid (one that would lead to enslavement) on the one hand, and its need for external assistance, finally pushed Burma into the Colombo Plan.

Having assured itself that it could receive some Colombo Plan aid, the Burmese government informed the United States that it intended to reject further American assistance when the current ECA aid expired in June.<sup>30</sup> On 17 March 1953 it asked the TCA to terminate its programme in Burma at the end of June, ostensibly because the United States was unwilling to exert pressure on the Kuomintang forces to withdraw from the country.<sup>31</sup>

The Burmese government's preference for Colombo Plan aid was dictated by the intricacies of Burmese politics. The apparent contrast between the two programmes offered the government the opportunity to outflank the communist opposition and to manipulate public opinion in its own favour. Whereas Mutual Security aid was quite openly (even in nomenclature) tied to strategic imperatives, the Colombo Plan advanced Western goals subtly and indirectly. Its underlying objectives were intricately connected to the developmental needs of the Asian states and to the threat domestic communist parties and/or insurgency groups posed to the non-communist governments in power in each of those countries. The Asian governments shared the West's analysis of the connection between poverty and the attraction of communism, and were aware of their own vulnerability to communist subversion. They also needed aid for development. Their suspicion about the West's motives, as well as their anxiety about the conditionality in Western aid, and the political price they might have to pay, were allayed by the Colombo Plan's distinctive and peculiar architecture.

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<sup>28</sup> See Burmese Foreign Minister to United Kingdom Ambassador to Burma, 9 January 1952, FO 371/101244, FZ1105/3, PRO.

<sup>29</sup> British Embassy, Rangoon to Foreign Office, 21 January 1952, FO 371/101244, FZ1105/6, PRO.

<sup>30</sup> See E. B. Boothby (British Embassy, Rangoon) to J. D. Murray (Foreign Office), 23 January 1952, FO 371/10244, FZ1105/7, PRO.

<sup>31</sup> State Department, Classified Supplement to Statement on Termination of Aid to Burma, 30 April 1953, RG 59 Lot 58 D 258, Folder: Analysis of Military and Economic Aid Programs FY 1951-55 (1), NA.

In spite of its multinational membership, the plan operated on the basis of bilateralism. Structurally and functionally, it lacked any centralized mechanism or a coherent organizational framework. The Consultative Committee, reflecting its Commonwealth antecedents, operated on the basis of consultation, informality and consensus. It had no decision-making powers. The fact that the members, at least in theory, were not divided into donors and recipients, but were all supposedly involved in a cooperative, self-help and mutual assistance endeavour to promote development in the region, made the plan acceptable even to those claiming a policy of neutralism. Unlike Mutual Security aid, the Colombo Plan was not backed by any national legislation and was not an extension or a reflection of a single country's foreign policy. Its establishment was a collective decision of the Western and the Asian members of the Commonwealth, and the latter also supported its extension to the non-Commonwealth states.

By comparing Mutual Security aid with Colombo Plan aid, the U Nu government could claim that it rejected the former because it would lead to enslavement, and accepted the latter because it respected Burmese sensibilities. It could refute charges by the communist opposition that it was collaborating with Western imperialism. The transaction was thus a win-win situation for the West and for the U Nu government. It offered the latter access to Western aid, with no visible effect on its policy of neutralism; the West got a means to encourage Burma to stay outside the communist orbit, without being charged with imperialism. The losers were the Burmese communists, who gained no propaganda value from Burma's participation in the Colombo Plan.

Burma formally joined the Colombo Plan's Consultative Committee at its meeting in Karachi in March 1952, along with Nepal. In the end most of the non-Commonwealth states in the Asia-Pacific region agreed to participate in the programme. By 1973 the Committee had 26 members, including 21 Asian and five Western nations—Afghanistan, Australia, Bangladesh, Bhutan, Burma (Myanmar), Canada, Cambodia, Ceylon (Sri Lanka), Fiji, India, Indonesia, Iran, Japan, Laos, Malaysia, the Maldives, Nepal, New Zealand, Pakistan, Papua New Guinea, the Philippines, Singapore, South Korea, Thailand, the United Kingdom and the United States.<sup>32</sup>

### **The Strings of Democracy**

On 1 July 2001 celebrations were held in Canberra, Kuala Lumpur, Jakarta, and in other Asian capitals to commemorate a half-century of the Colombo Plan.<sup>33</sup> No such celebration took place in Rangoon, for by then Burma had become a pariah state, at least as seen by the very donors who promoted the

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<sup>32</sup> The United Kingdom and Canada withdrew from the programme in 1991 and 1992. Two other countries, Vietnam and Mongolia, have joined, leaving the number of participants still at 26.

Colombo Plan to the U Nu government in the early 1950s. The United States, Britain, Canada, the European Union, Australia, Japan and other Western governments have all imposed economic, trade and sundry other sanctions on Burma for its antidemocratic and human rights violations. Burma can no longer meet the conditionality currently attached to foreign aid and, in consequence, does not receive any aid, except a little humanitarian assistance, from any donor country or agency in the West.

Whereas in the 1950s Burma was a beautiful bride to be wooed and courted by Western donors, it is today ostracized and isolated from the mainstream of world politics. What accounts for this dramatic change in Burma's relations with its erstwhile Colombo Plan partners? Why is the government unable to meet the conditionality in foreign aid? How has Burma's policy of neutralism fared in the light of developments in the country and in international politics in the last half-century? To answer these questions it is necessary to examine in some detail the political changes that have taken place in Burma in the intervening years, and how current Burmese politics deviates from the normative values of the post-Cold War world.

Burma has suffered almost five decades of insurrection and civil war, involving at times as many as 34 different armed ethnic minority organizations.<sup>34</sup> The U Nu government survived these vicissitudes throughout the 1950s and was able, by and large, to maintain the country's democratic process and its policy of neutralism and nonalignment. Its mandate was validated in national elections in 1951-52 and in 1956. However, internal wrangling split the ruling party in 1958, leading to the establishment of a caretaker army government under General Ne Win on 26 September.

Ne Win's power had been growing since his appointment as commander-in-chief of the *Tatmadaw* (the armed forces) in February 1949 and subsequently, as deputy prime minister, home minister and defence minister in the AFPFL government. The general's multiple portfolios, and the fact that he successfully defended the civilian government in the civil war, strengthened his power base both within the government and in the military. He was therefore the obvious choice to head the caretaker government.

U Nu came back to power in 1960 following his victory in national elections, only to be overthrown by Ne Win in a bloodless military coup in March 1962. For the next three decades the wily general remained the dominant figure in Burmese politics, first as military dictator, then as president, and later as political kingmaker. Ne Win transformed Burma into

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<sup>33</sup> See for instance Australian Vice-Chancellors' Committee, "Address to Colombo Plan Celebrations Function," Kuala Lumpur, 1 July 2001, available at <[http://www.avcc.edu.au/news/public\\_statements/speeches/2001/Chubb\\_KL.htm](http://www.avcc.edu.au/news/public_statements/speeches/2001/Chubb_KL.htm)>, site last accessed January 14, 2004. <sup>34</sup>

<sup>34</sup> A comprehensive list of all the armed groups in Burma is provided in ICG, "Myanmar Backgrounder," pp.27-28.

a one-party state, controlled by the military-dominated Burma Socialist Programme Party, BSPP. The party's economic blueprint, the so-called 'Burmese Way to Socialism,' instituted a centralized, state-controlled, command economy, which was nevertheless free of communist ideology.

The demise of democracy and market economics in Burma resulted in a fundamental change in the direction and objective of Burmese neutralism, and consequently, in the country's attitude to foreign aid. Whereas U Nu was actively engaged in international politics, and strove to make the Non-Aligned Movement (NAM) relevant in Cold War diplomacy, Ne Win pursued a more insular policy, emphasizing nationalism, autonomy and non-involvement. Under the military, neutralism became an instrument of disengagement from international diplomacy. Burma literally cocooned itself within its borders, and was in the next two decades in a state of self-imposed isolation. Maung Maung Gyi has described the apparent reversal of objectives and intentions of Burmese neutralism by the military as "negative neutralism for group survival."<sup>35</sup> In essence, the military's primary objective was regime survival. Its negative approach to neutralism, and its insular foreign policy, were all aimed at this objective. The regime preoccupied itself with prosecuting a relentless counter-insurgency campaign against the ethnic armies and against a resurgent Communist Party of Burma, CPB, now armed and sponsored by communist China.

Still, the government's foreign policy posture did not breach the conditionality in Western aid, since neutralism, however negatively oriented, was still a legitimate response to the Cold War. Military regimes were not yet an aberration, even when they violated their citizens' human rights, as long as they were not seen to be pro-communist. Burma could therefore continue to receive foreign aid, and benefit from the Colombo Plan's development and technical assistance programmes. For instance, between 1952 and 1980, when the plan was most active, 2,917 Burmese trainees 'went on the plan,' i.e., were offered places in institutions in Colombo Plan countries. In line with the mutual aid concept Burma also received 37 trainees from other Colombo Plan countries. Within the same period 951 experts from donor countries came to Burma to assist in its development efforts. In comparison 15,404 Indians went on the plan. India offered 7,339 scholarships to other countries and received 2,235 Colombo Plan experts. Indonesia, which like Burma was a non-Commonwealth participant, received 14,625 scholarships within the same period; it offered 26 places to trainees from other countries and hosted 7,144 Colombo Plan experts.<sup>36</sup>

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<sup>35</sup> Maung Maung Gyi, "Foreign Policy of Burma Since 1962," in F. K. Lehman, ed., *Military Rule in Burma Since 1962: Kaleidoscope of Views* (Singapore: Institute of Southeast Asian Studies, 1981). Cited in Bertil Lintner, "Burma and its Neighbours," p. 14, available at <[http://www.asiapacificms.com/papers/pdf/burma\\_india\\_china.pdf](http://www.asiapacificms.com/papers/pdf/burma_india_china.pdf)>. Site last accessed January 14, 2004.

<sup>36</sup> See Colombo Plan Council, Annual Report 1980/81 (Colombo: Colombo Plan Bureau, 1981), pp. 65, 84.

As the decade of the 1980s began to unfold, Burma remained essentially a sleepy backwater, maintaining the routines of diplomatic niceties with foreign governments, but little else besides. The world's attention was riveted on Eastern Europe, and the unravelling of the Soviet bloc provoked by Soviet leader Mikhail Gorbachev's policies of glasnost and perestroika. A democratic wind was clearly blowing through the iron curtain, but no one expected it to touch isolated Burma. After all, it was not part of the communist world. Or so it seemed.

After two decades of failed economic policies under the 'Burmese Way to Socialism,' the ruling BSPP introduced some monetary reforms in 1987 ostensibly to ameliorate the harsh and penurious condition of the citizenry. However, this was an ill-thought-out strategy that not only wiped out people's savings but also led to massive increases in the price of basic commodities, particularly rice. Economic hardship led to political agitation and by the summer of 1988 pro-democracy demonstrations had spread across the country. On 18 September 1988 the armed forces took over power, ostensibly to restore law and order, end instability and insurrection, and maintain the structural and administrative integrity of the Union. Adopting the name State Law and Order Restoration Council (SLORC), the military suppressed the riots in a brutal and bloody attack on the demonstrators, killing as many as 10,000.<sup>37</sup>

In the twilight of the Cold War, when the issues of governance, democracy and human rights were shaping a new international political culture, the SLORC's conduct was bound to attract severe condemnation and sanction from the democratic world. The Western donors suspended aid, on the premise that Rangoon was in breach of the new governance-related conditionality of aid.<sup>38</sup> For a moment, the new military leaders in power in Rangoon felt that foreign assistance could still be obtained to revamp the economy. They therefore made some effort, cosmetic as it turned out, to conform to the new standards of international conduct by organizing multiparty elections on 27 May 1990, for a new People's Assembly. Contrary to the government's expectation, one of the opposition parties, National League for Democracy (NLD), won an overwhelming victory, taking 392 of the 485 assembly seats. The official government party, the National Unity Party, won only ten seats.

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<sup>37</sup> See ICG, "Burma/Myanmar: How Strong is the Military Regime?," *Asia Report*, 11 (21 December 2000), available at <[http://www.intl-crisis-group.org/projects/asia/burma\\_myanmar/reports/A400302\\_21122000.pdf](http://www.intl-crisis-group.org/projects/asia/burma_myanmar/reports/A400302_21122000.pdf)>. Site last accessed January 14, 2004.

<sup>38</sup> For a discussion of Governance-Related Conditionalities (GRC) see Devesh Kapur and Richard Webb, "Governance-related Conditionalities of the International Financial Institutions," G-24 Discussion Paper Series, no. 6, (August 2000), UNCTAD and Center for International Development, Harvard University, available at <<http://www.unctad.org/en/docs//pogdsmdpbg24d6.en.pdf>>. Site last accessed January 14, 2004.

The SLORC had clearly miscalculated and misjudged the political climate. Confronted with the choice of relinquishing power and conforming to the new norms of international conduct, or retaining power as a pariah regime, the SLORC chose regime survival. It refused to convene the assembly and, instead, jailed many of the democratic leaders. It shut the door on democracy and has kept it sealed ever since. In 1997 it transformed itself into the State, Peace and Development Council (SPDC). The change allowed relatively younger military officers, in their forties and fifties, to join the ruling junta through a “process of sub-elite replacement,”<sup>39</sup> without any change in policy.

The NLD leader, Aung San Suu Kyi, is the daughter of U Aung San, the hero of Burma’s independence struggle, and the acknowledged founder of modern Burma. Suu Kyi has emerged as the arrowhead and the symbol of the struggle for freedom and democracy in Burma, and has won the Sakharov Prize for Freedom of Thought (1990) and the Nobel Peace Prize (1991) for her non-violent campaign for democracy. The regime placed her under house arrest from 1989 to 1995 and again from September 2000 to May 2002.

In the last decade since the elections the major donors have suspended aid, and have imposed comprehensive sanctions to pressure the regime to conform to the normative values of the post-Cold War world. Existing sanctions were reinforced when the SPDC detained Aung San Suu Kyi for the third time in May 2003. On 16 June the European Union imposed new and expanded sanctions. Even Japan, which has traditionally maintained a ‘special relationship’ with Burma and has provided more than half of all foreign aid, announced on 25 June that it was suspending Official Development Assistance to Rangoon.<sup>40</sup> On 28 July US President George Bush signed the Burmese Freedom and Democracy Act, further strengthening sanctions against the regime. Most donors have come to accept the dictum that there can be “no development before democracy”<sup>41</sup> and until there are manifest changes in that direction Burma will not receive any development aid.

## **Conclusion**

In the discourse on foreign aid the debate, as usual, has oscillated between realists and idealists, between those who see aid merely as another instrument in the pursuit of the national interest, and those who give primacy to the

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<sup>39</sup> The phrase is that of James Guyot, “Burma in 1997: From Empire to ASEAN,” *Asian Survey*, vol. xxxviii, no. 2 (February 1998), p. 195.

<sup>40</sup> See “Japan Stops Giving Aid to Burma,” *International Herald Tribune Online*, (26 June 2003), at <<http://www.iht.com/cgi-bin/generic.cgi?template=articleprint.tpl&ArticleId=100790>>, site last accessed January 14, 2004.

<sup>41</sup> See ICG, ‘Myanmar: The Politics of Humanitarian Aid’, *Asia Report*, no. 32 (2 April 2002), p. 7, available at <[http://www.intl-crisis-group.org/projects/asia/burma\\_myanmar/reports/A400602\\_02042002-2.pdf](http://www.intl-crisis-group.org/projects/asia/burma_myanmar/reports/A400602_02042002-2.pdf)>. Site last accessed January 14, 2004.

moral and humanitarian impulses of donors.<sup>42</sup> The Burmese case, examined in this study, demonstrates that there is no aid without ties, and no ties without strings. It provides a vivid illustration of the realist argument. The analysis demonstrates that the strings, or, to use a more contemporary term, the conditionality of aid in the last fifty years has been determined largely by the structural dynamics and normative values of the international system. During the Cold War the Western nations deployed aid primarily as an instrument of anticommunism, i.e., to strengthen the capacity of the recipient nations to resist the allure of communism. With the end of the Cold War and the triumph of liberal capitalism the basic ingredients of that ideology—democracy, human rights and market economics—have become the operational norms of the international system and, consequently, the main conditionality of foreign aid.

The collapse of the European empires in Asia and Africa following the Second World War gave birth to a host of independent states. These states were poor and underdeveloped, and in desperate need of development capital to release their people from the suffocating tyranny of poverty and underdevelopment. As it happened, the newly independent states joined the international system when it was bifurcated into two ideologically antagonistic camps, the capitalist and the communist blocs, dominated by the United States and the Soviet Union. Its chief characteristic was the cold war, in which the two superpowers, along with their allies, competed for ideological ascendancy and global influence. Foreign aid was clearly one of the instruments deployed for this competition; the Colombo Plan, for instance, was designed by the West to attract the non-communist states on the Asian periphery of the communist world. Foreign aid offered the donors a means to exercise influence in the underdeveloped world; it also gave the recipients access to external capital for development. However, the fact that the aid was offered on conditionality set the stage for what has come to be described as the politics of aid.

States such as Burma that chose a foreign policy of neutralism in order to maintain their autonomy from either of the ideological blocs were nevertheless confronted with the need to reconcile their need for aid with their foreign policy principles. They had to operate within the confines of the politics of aid. This was the situation that confronted the government of Prime Minister U Nu in relation to the Colombo Plan in the 1950s. The situation was compounded by the fact that the government had to contend

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<sup>42</sup> For a most recent affirmation of the realist perspective see John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton & Co., 2001). On the political objectives of aid see Edward S. Mason, *Foreign Aid and Foreign Policy* (New York: Harper & Row, 1964); W. W. Rostow, *Eisenhower, Kennedy, and Foreign Aid* (Austin: University of Texas Press, 1985). The moralist perspective on foreign aid is represented by David Halloran Lunsdaine, *Moral Vision in International Politics: The Foreign Aid Regime, 1949-1989* (Princeton, NJ: Princeton University Press, 1993).

with the seductive potential of communism, with its promise of a socialist 'eldorado,' on its poverty-stricken population. In the end the government joined the Colombo Plan because the programme's objective, i.e., conditionality, was not in conflict with its foreign policy principles. In other words the plan would not lead to enslavement.

The end of the Cold War has not put an end to the politics of aid. The developed world, the donors, still set the agenda and the conditionality of international aid; they determine the political culture of the international system; they set the rules, and the poor countries of the world have no choice but to abide by them. If they behave to the contrary, as the current regime in Burma has done, they suffer sanctions, and aid dries up. Such is the politics of aid. This is the enduring lesson of the strings of neutralism, of Burma's venture into the politics of aid.

*University of Lagos, Nigeria, December, 2003*