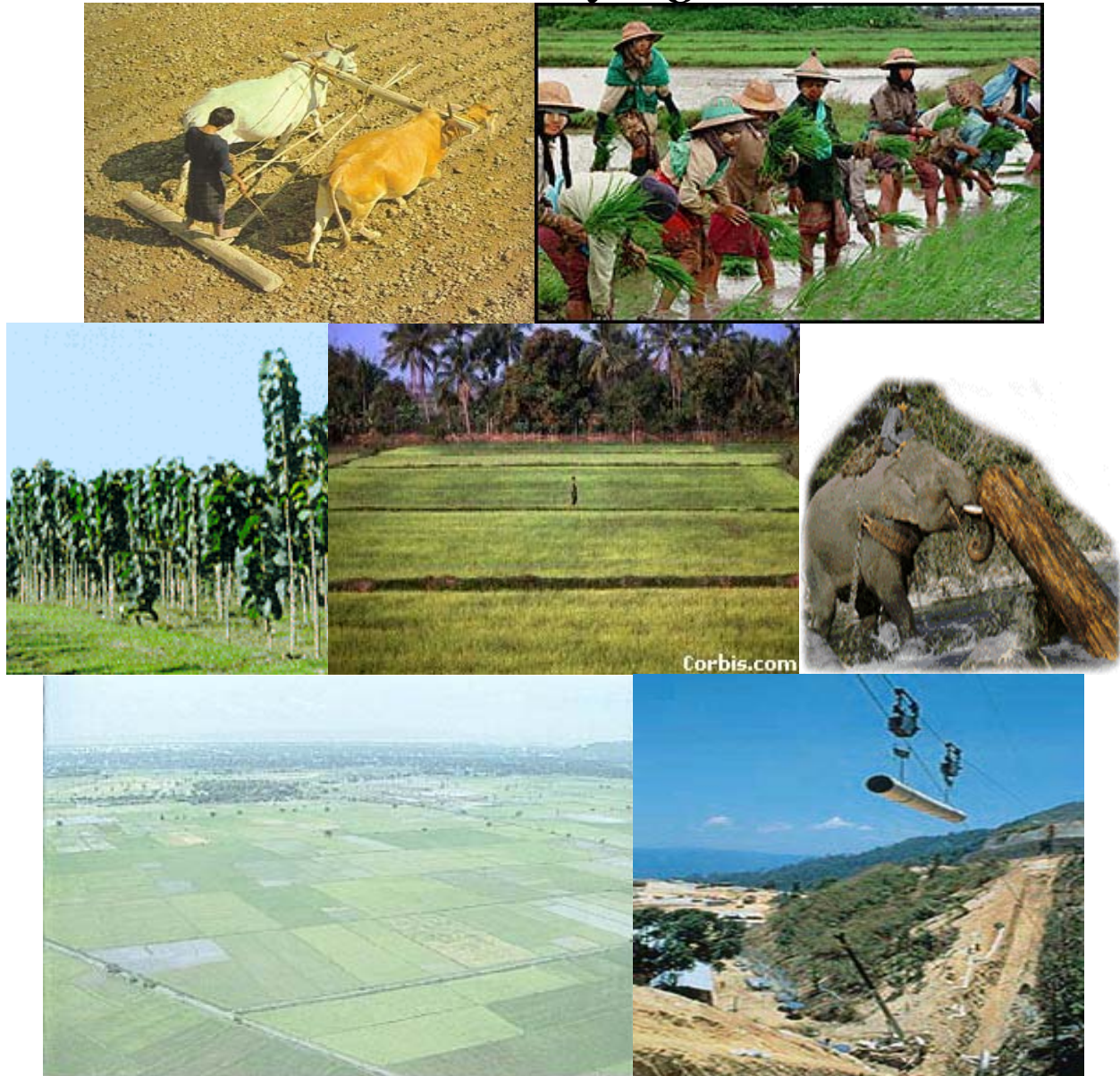


# The Impact of the confiscation of Land, Labor, Capital Assets and forced relocation in Burma by the military regime



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## 1. Introduction

Land is the ultimate resource, for without it people cannot sustain their lives. The majority of people in Burma depend on the land for their livelihood. Land is a major source of wealth and power. Control of land has therefore been the focus of successive ruling bodies in Burma from the British colonial rulers (1931-1948), to the independent/democratic government (1948-1962), to the various guises of military regimes: the Revolutionary Council (1962-1974), the Burma Socialist Programme Party (1974-1988), the State Law and Order Restoration Council (1988-1997) and the State Peace and Development Council (1997-present).

Through successive forms of governing bodies, there has been a process by the State of taking land thought to be useful for commercial or infrastructure projects, ignoring the customary system of land use and the rights of individual citizens. Rice is the staple crop, staple food and staple export production. Just as in pre-colonial times, governments in Burma have procured rice to provision the army and to sell at discount price to civil servants and quota rice is also sold on the international market.

Since 1988 there has been a renewed emphasis on agricultural production for export and the people of Burma are forced to support the ever increasing military presence. The most significant land problems in Burma remain those associated with landlessness, rural poverty, inequality of access to resources, and a military regime that denies citizen rights and is determined to rule by force and not by law.

When rural households are driven off their lands, or are gradually and continually impoverished, then the ability to improve the family's condition is denied and the survival of the family is jeopardized. Our research seeks to uncover the exact relationship between people and their land and the effects of being forced off the land for reasons of new infrastructure developments (such as road building, gas pipeline construction, military depots), extortion of money through official and unofficial tax levies, confiscation of crops, destruction of property, looting, and the creation of capital intensive agri-businesses.

The collection of data for this research comes from a variety of sources including Burmese publications and reports and international, scholarly articles. The significant contribution of this research lies in the collection of documented stories of people who have been forced off their land by the actions of the military regime. A network of individuals within Burma interview households to detail the experiences of families and villages whose land and livelihoods have been affected by the military rulers. These hand written documents and photographs are then couriered in a clandestine manner across the Burma/Thailand border. Members of the Federation of Trade Unions of Burma meet with these couriers and receive the documentation. From analysis of these documents a picture of the harsh day to day rural realities of individuals, households, and villages living under the military regime emerges.

The objective of this research paper is to describe the specific ways in which the people of Burma are being deprived of their land and livelihood due to the following activities of the State Peace and Development Council (SPDC) through: confiscation of land, labor, crops and capital; destruction of property; looting and expropriation of food and possessions; forced sale of crops to the military; extortion of money through official and unofficial taxes and levies; forced relocation and other abuses by State Peace and Development Council (SPDC) in Burma and its effects on the Burmese grassroots and the whole economy. The findings of this research will be submitted to the International Labour Conference (ILO) General Assembly in June 2003.

This research paper is divided into the following main sections: History context of land nationalization; critique of the agrarian policy of the military regime in Burma since 1988; analysis of the close connections between agriculture and the economy for the livelihood of the majority of people in Burma;

## 2. Historical Context and Current Implications of the State Taking Control of People, Land and Livelihood

### 2.1. Under the Democratically Elected Government

#### 2.1.1. The Land Nationalization Act 1953

The cultivators in Burma lost the right to own farmlands in spite of the existing law promulgated in 1953 know as "Land Nationalization Act" (Section 38, Part 16 Use of Agricultural Land), which clearly confers the rights and privileges to farmers. Notification 4/78 of the Trade Ministry prohibited cultivators from trading their produce freely adversely affecting individual human rights and the nation's economy. The laws and regulations enacted after independence are based on principles leading towards socialism in respect of land ownership and restricting free trade of agricultural products. In applying the Land Nationalization Act 1953 and by-laws of 1954 pertaining thereto, it was possible to achieve the grant of ownership and distribution of over 3,300,000 acres of land only. A cultivator was not permitted to pawn, sell, transfer or partition his allotted parcel.

2.1.2. The Agricultural Lands Act 1953, section (9) and (10) dictate that, landowners can transfer or partition their land only on receiving permission from the authorities. Under section (11) and (12) of the same act, they are not permitted to cease agricultural work, let the land lie fallow, or lease the land to others. There are clear indications that cultivators do not really possess the land they own.

### 3. Under the Revolutionary Council (1962-1974)

The military junta, which took power in 1962, rice production was nationalized. The government attempted to redistribute productive lands under nationally administered, locally managed collective farming. The general ineffectiveness of this program, combined with the fertility of Burma's soil, meant that the changes posed little threat to food security, despite population growth from 17 million just after World War II to 24 million in 1962. Trouble in the rice market triggered the end of the socialist-styled agriculture economy. By 1987 another food crisis loomed, and the government abandoned its strictest controls on the rice market. Fearing possible famine, in September 1987, the military junta lifted the ban on harvest-time rice trading, in place since 1962. The market price of rice was cut in half.

3.1. The Tenancy Act 1963 promulgated by the Revolution Council and By Laws relating to the Tenancy Act 1963; Protecting the Right of Cultivators Act 1963; and the Tenancy Amendment Act 1965 further took control of land from the farmers into the hands of the State. According to section (3) of the Tenancy Act 1963 the government by notification order any land to be leased to tenants and thus the state usurps the right of landowners to lease their land. Section (6) also stipulated that the state had the authority to issue regulations for the tenants working on the lands leased from the state. The cultivators who under the Land Nationalization Act 1953 possessed the right to own land now became lessees under the laws.

3.2. The Protection of the Right of Cultivation Act, 1963, stated that the following were protected: (1) agricultural land; (2) cattle and ploughing implements; (3) tractors and machinery; (4) other implements whether animate or inanimate; (5) prohibition from confiscation for any reason of agricultural produce and arrest of cultivators. However, at the same time it was stipulated that such protection would not apply in the case of: (a) non-payment of dues owing to the state; (b) disputes arising from inheritance cases or actions taken by the state for security reasons.

### 4. The State Gains Further Control over the Livelihoods of Households

#### 4.1. Under the Burma Socialist Programme Party (BSPP) Rule (1974 - 1988)

##### 4.1.1. Land Policy and Institutional Reforms

The most important landmark during this period was the introduction of the new constitution which declared Burma as the Socialist Republic of the Union of Burma. The Constitution of 1974 states clearly that the State is the ultimate owner of all natural resources and also of land; and it shall develop, extract, exploit and utilize the natural resources. In 1974, the government implemented a new procurement system which was actually a "compulsory delivery system". According to this system, a quota of paddy which had to be sold at a fixed price to the government depot was set for each farmer

according to the size of his holding for paddy, the yield per acre, his family size and the amount of paddy to be paid to hired labor. The remaining part of the harvest could be sold within the township. This was actually a form of progressive taxation which favoured the small farmer with poor performance. In other words, this was yet again a policy of equity rather than of improving productivity. Moreover, the state applied, during this period, an advance purchase system which is similar to the "pindaung" system, by which leaders extended credit to the farmers in cash for which farmers had to pay back in crops.

Trade Corporation No. 1 (later Agricultural Farm Product Trading Corporation-AFPTC) purchased paddy from the farmers with advance payment through its depots all over the country from 1974/75. State-procured paddy was milled by about 45 state-owned mills and by about 800 private mills under contract with the AFPTC. In addition 850 privately owned rice mills milled rice only for the domestic consumption of the farmers and were forbidden to mill paddy brought in by anyone other than the producers themselves. However, rice found its way to the black market were mostly from the large farmers. Small farmers, on the other hand, sometimes had to sell part of their *wunza* (the part of the production kept for home consumption) to the AFPTC to fulfil their quota and later were forced to buy rice for their own consumption at the black-market price, which was about twice the price of what they sold to the state. Since 1979/80, the AFPTC has provided incentives for the sale of the rice above the quota. Those who sold extra rice could buy some goods at the state shops at the official price which was much cheaper than the free market price. These incentives plus a good harvest helped the AFPTC to buy more paddy during this period. However, it was found that the amount of procured paddy was inversely related to the gap between the official procurement price and the black market price. This means that the wider the gap between these two prices, the lesser the amount of government procurement.

#### 4.2. Under the Military Rule II - SLORC/SPDC (1988 - present)

Prior to the State Peace Development Council (SPDC) coming to power in 1997, the State Law and Order Restoration Council (SLORC) adopted all the agrarian policies issued by the Burmese Socialist Programme Party ruling from 1974-1988. Under SLORC, which seized power in 1988, all land within Burma---fields, forests, mountains, and reserved lands belonged to the State and were controlled by SLORC. There was no freedom for farmers to grow crops in a sustainable manner or to improve the economic and social well-being of the households or communities. All land set aside for paddy fields must grow paddy only, and there was no programme to redistribute land to the poor. The State Law and Order Restoration Council, SLORC, has continued to exercise the same powers and the cultivators have not gained any relief from the state. The cultivators not only lost their basic right but also suffered under the additional burdens imposed by SLORC.

Notification No. 4/78 dated 18 September 1978, stated that any failure to sow the allotted land with the earmarked crop to obtain optimum results or failure to sell the full quota at the stipulated price during a determined period would result in confiscation of

the land. Presently such drastic powers are entrusted to village and township administration and the cultivators are compelled to follow their dictates without voicing any protest.

On 31 December, 1988, SLORC issued an order declaring that persons with permission to grow paddy have the duty to yield harvests to the full capacity of the field. SLORC used the land as a means to earn foreign currency. Only after the paddy season was over and the set quota sold to the government would other income-earning agricultural products or cash crops be permitted to be grown (SLORC Publications Sub-Committee, 1991). In 1990, SLORC issued further directives to gain total control over all land required for fruit orchards, brick production, rice mills, salt production, and other purposes. These orders had several implications for farming households and the land:

- \* Farmers were forced to grow paddy as the dominant crop;
- \* Growing other cash crops, fruits, or vegetables was severely restricted resulting in;
- \* Restricting the variety of food available for household consumption;
- \* Increasing the peoples' vulnerability to malnutrition.

In 2003, village and township administrations misuse the powers given under these regulations by arresting land workers, forcing them to stand under the scorching sun, canceling their right to work the land, as well as prosecuting and jailing them. Cultivators are therefore in the position of "Given but not received."

In 2003, village and township administrations have colluded with land record officials to change the designation of land from grazing to agricultural use. While existing laws do specify the traditional communal right of grazing grounds near villages as pasture land for cattle, officials either sell the cultivation rights or work the land themselves. As a result of this illegal activity, there is no communal pasture land available for local farmers' cattle. This has created great difficulties for cultivators. Every year about 3,000 to 5,000 acres of land are formed in river areas. There are rules and regulations how such land should be allocated. However, it is understood that the village and township administrators ignored the regulations and allocated such land to relatives, people who offered bribes, veterans, or among the members of the administrative bodies. Some obtain over 50 acres, which they then sell at high prices to others. The real farmers are unable to do anything but just accept the situation.

The Myanmar Agricultural Produce Trading (MAPT), a state agency, is responsible for designating paddy land and for collecting a fixed quota based on land area. By 1995, the three main targets of the Agricultural Ministry were to have a surplus in paddy crop production, be self-sufficient in edible oil, and increase the production and export of various pulses and beans and industrial fibers. These targets have meant increased pressure on the farmers required to sell a percentage of their rice crop to the government at reduced prices as part of this paddy procurement system implemented by the MAPT. This quota rose from 1988 to 1995 to 12 baskets per acre, for which the government paid 1/3<sup>rd</sup> to 1/5<sup>th</sup> of the going market price for rice purchased under the scheme. The World Bank estimates that in 1994-5, rice farmers lost at least 25% of their gross income because of the MAPT procurement (World Bank, 1995). Farmers who

work poor land or for other reasons are unable to produce the crop are not exempt from their quota. Households unable to fill the quota face arrests, beatings and or confiscation of paddy land for re-distribution to other farmers. Farmers may be threatened, scolded, publicly abused by government rice procurers or sent to labour camps to work off their debt. In the Irrawaddy Division, local military officials have ordered all milling of harvested rice for consumption or sale stopped until whole villages have filled their quotas.

#### 4.2.1 Keeping it Together: Agriculture, Economy and Rural Livelihoods<sup>1</sup>

Burma is an agrarian society and farming, more than simply an occupation, is a way of life. While the agricultural sector continues to dominate the Burmese economy, an estimated 68% of the work-force are employed in agriculture, the agricultural share of the economy has declined from 49.5 per cent in 1970 to 42 per cent in 1999 (little difference from 48% in 1938). Agriculture, important for its overall contribution to the Burmese economy can generate foreign exchange and many agricultural products become inputs for processing industries. Yet, there has been a steep decline in rice exports from nearly 2 million tons in 1962 to only 35, 000 tons in 1996 (Khin Maung Kyi et al., 2000) Growth of the agricultural sector, could stimulate rural demand for manufactured products, providing a firm demand base to expand manufacturing and exports. In Burma, the problem is that agricultural development schemes and policies are formulated by the military rulers who seek to recruit, feed and equip a huge army. The demands of the army severely strain the rural economy and impose hardships on the people.

Rural poverty and agriculture are closely linked in Burma. Three quarters of the population of Burma lives in rural areas: the majority of whom depend on agriculture for their livelihoods. 70 percent of Burma's poor live in rural households engaged in some form of agricultural production. For most farmers, the methods and structures of production have remained largely unchanged over the years. However, the numbers of people who are landless and who cultivate marginal, non-viable farms of less than two acres are increasing. Rural and agricultural incomes must be raised and become more stable if progress is to be made in reducing poverty.

The largest concentrations of poor households live in Sagaing, Bago, Magwe, Irrawaddy, and Mandalay Divisions, comprising the country's more populous rice-growing region, and the Dry Zone region. Each of these states or divisions contains more than 10 percent of the country's total rural poor. Chin State has the highest rural poverty rate with 47 percent of the state's rural households in poverty, more than double the national average.

The lack of assets such as land or livestock is a strong indicator of rural poverty. The 1997 Human Development Index Baseline Survey (HDIBS) of 20,000 rural households found that one-third of rural households owned no land, 40 percent owned no livestock and 25% owned neither land nor livestock. Many families who do have land

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<sup>1</sup> The World Bank report September 1, 1999



are also poor. Over 60 percent, or over 2.8 million of land-holding households have less than five acres, roughly the minimum sized holding needed for subsistence farming, at current levels of technology and input use. The size of a plot needed for subsistence farming varies, depends upon agro-climatic conditions. In the upper dry zone, a farm of three acres, with multi-cropping, can be sufficient. A farm of three acres is inadequate in the single-crop rice-growing areas.

Analysis of the findings of the Human Development Index Baseline Survey (HDIBS) suggests that 77 percent of rural household heads are engaged in primary production as their predominant economic activity. The share drops to 56 percent for poor rural households. The 1993 Agricultural Census found that larger farms (average 8 acres in size) tend to employ wage labor. Agricultural wages are low (between 100-150 Kyats a day in 1998, 400 Kyats a day in 2002, 450-500 Kyats a day in 2003), and farm employment is available only a few months during the year. Many landless rural poor must therefore supplement their income with a variety of off-farm activities. For almost 40 percent of poor rural households, the predominant economic activity is in non-primary production (e.g. service activities).

The rural poor are engaged in a variety of off-farm, economic activities (Shaffer, 1999) depending on the local environment within distinct climatic and geographical regions of Burma: the Upland Area; Dry Zone; the Irrawaddy Delta. Common activities along the coastal areas are fishing and crabbing. Villagers with access to the necessary assets engage in raising prawn, breeding pigs, chickens, and goats. Other non-farm occupations include trading, weaving baskets and mats, and making jewellery. The landless rely on common property resources from which they gather firewood and fish. In all areas there is deterioration in ecological and social well-being of the majority of people.

1. The Upland Area ranges in altitude from 1,000 to 2,300 meters stretches along the eastern, northern, and western states of Kachin, Kayah, Kayin, Chin, Shan, Mon and Rakhine. Ethnic minorities who live in small and remote hamlets inhabit the area. Villagers are very poor and suffer from food deficits. Most farms practice some form of shifting cultivation, where a few acres of hilly, forested area are slashed and burned every year and planted with various crops. Declining soil fertility and crop yields are serious problems. With land becoming scarce, poor farmers are clearing steeper, more rugged hills, but sustained cultivation is virtually impossible due to water run-off and severe erosion. In some remote areas, poppy growing for opium has become one of the few economically viable cash crops. Some farmers who live along small, flat valley floors grow rain-fed paddy; where possible they grow a second crop of legumes or garlic.

In Northern Rakhine State, non-farming villagers engage in casual labor including land clearing, digging embankments, and paddy transplanting or harvesting. In the upland areas, the poor gather leaves, barks and roots used in traditional medicine or cut wood for sale. Others become traders and sell produce in other towns; men also find work in gem mines in Shan State.

2. The Dry Zone spans a large, semi-arid area of central Burma and includes the populous divisions of Mandalay, Sagaing and Magwe. The majority of the Dry Zone farmers are commercial rather than subsistence farmers. They grow cash crops such as sesame and pulses and beans for exports. Cotton is commonly grown in the northern area and seasonal vegetables such as onions, potatoes, and tomatoes are often grown on alluvial soils. In areas where water is available year round, small farms with five acres or less may be able to support a decent standard of living. However, analysis conducted in 1995 estimated that at least 7 to 10 acres were required to sustain a minimum standard of living, or 15 to 20 acres for farms with poor quality land (Cools, 1995). Many small farmers and the landless supplement their incomes by cutting fuel wood. During the slack-farming season, household members may migrate to find work in Rangoon, Mandalay or the border areas. In the Dry Zone, the landless are commonly engaged in raising goats and sheep and jaggery production. Other common off-farm jobs in the Dry Zone are gypsum mining and dam or road construction.

3. In the Irrawaddy Delta area, of southern Burma, the environment is deteriorating. Sources of freshwater are becoming scarce and there is an increasing scarcity of crabs, fish, firewood, and even vegetables for the landless and land-poor households (UNDP, 1998). Households cope with income shortfalls by migrating in search of new sources of fuel wood, crabs, and fish. In the townships of Laputta, Bogalay and Mawlamyaingyun, in the Delta, more than half of the population is estimated to be landless. One study conducted at the village level in the Delta area in 1998 estimated that agricultural labourers, with no land to cultivate and no prospects of inheriting land constituted 33% of those employed a doubling of the number of people working as labourers in 1974-75 (Myat Thein & Maung Maung Soe, 1998). Many marginal farmers engage in fishing or crabbing. Those who fish, usually do not own their fishing gear or boats depending on fish traders for such resources. Some households raise pigs, chickens, or ducks. Others cope during the slack farming season by borrowing from better-off farmers: loans being paid back in kind through labour, or through a portion of the paddy crop. The effective interest rate charged by fish traders, rice traders and others in these loan arrangements typically amounts to 10 percent a month.

## 5. Militarization of Rural Economy

### 5.1. Land confiscation

The SLORC/SPDC military regime has retained central planning and control of food production. Farmers are still required to sell a percentage of their rice to the government at discount prices. The paddy procurement system is implemented by Myanmar Agricultural Produce Trading (MAPT), a state agency which, along with other arms of the bureaucracy, inherited the duty from its socialist predecessor. MAPT's national structure reaches down to the village, where it designates paddy land and collects a fixed quota based on land area. This quota rose steadily from 1988 until 1995, when it was fixed at 12 baskets per acre.

An inherent flaw in this system is the government quota calculation based on arable land area rather than amount of rice actually planted or harvested. Farmers who worked poor land, or for other reasons produce an imperfect crop, are not exempt from the quota. They fulfill their obligation by supplying paddy bought on the market. In these cases, the difference between the relatively high market price and the low government purchase rate results a net loss for farmers.

Households that fail to fill the quota face a variety of consequences. For households unable to sell the earmarked quota to the government, the local authorities, with the help of the armed forces and police, often forcefully confiscate the household's entire supply of paddy including that used for consumption and seed paddy. If even after such confiscation the quota is still not achieved, the defaulting cultivators are arrested and their rights to cultivate prohibited. While arrests and beatings have been reported, more common is the confiscation of paddy land, for redistribution to other farmers more likely to produce. Farmers have also been sent to labor camps to work off their debt. Majority of local military authorities are said to have ordered the rice mills to close, preventing the milling of harvested rice for consumption or trade until entire villages filled their quotas. Lastly, farmers have been threatened, scolded and publicly abused by government rice procurers dissatisfied with their quota. The authorities also force cultivators to leave their work unfinished and use them in army projects such as road building, railway track laying, and digging canals. In addition, farm workers are forced to guard railway tracks day and night for so-called security reasons. Another shameful and despicable act is the use of agricultural workers and their families as "porters" by the armed forces during their operations. Many lives have been lost as a result of exhaustion, torture, being hit by landmines, lack of proper nutrition and medical care

The unfortunate cultivators are also required to attend so-called political rallies organized by the authorities whatever their feelings and whether their daily routine is adversely affected or not. Those who are unable to join these rallies due to sickness are compelled to give bribes to village authorities. The cultivators also are forced to provide dry provisions to the army unit posted near them and when one unit moves out and another takes place the poor farmers are called upon to pay moving expenses. This is another factor causing them a lot of difficulties and financial distress. If a cultivator is

unable to perform forced labor he has to pay whatever charges are required, however harsh such charges may be. When performing the labor requirements of the troops, the farmer does not receive any payment, and on top of that is often required to shoulder numerous expenses relating to such things as porter duties. During the period of forced labor the cultivator does not get any medical attention, food, accommodation, or welfare. Because of lack of adequate food and safe living environment cultivators suffer from malnutrition, diseases, wounds from accidents, loss of limbs and in several instances, death. Without abiding by the provisions of the Tenancy Act 1963, farm lands confiscated from cultivators and newly developed land plots are re-allocated by land survey clerks and village officials to those who bribe them.

Agricultural development schemes launched by the SPDC throughout the country, including the summer paddy program have several elements: development of irrigation systems such as dams and canals, introduction of high yielding hot-season rice strains, and use of new fertilizers, pesticides, and machinery to cope with the technical complications of the new crop. These tactics have created two new burdens for farmers. The first is the labor needed to build roads, small dams, and irrigation ditches. State-directed, uncompensated labor is common practice in Burma. Farmers who work on these development projects have less time to tend their crops or other subsistence activities. Secondly, the chemical ingredients of the summer rice program are not distributed free to poor farmers, but are sold to them. Farmers who do not buy the necessary materials cannot participate in the program; their unproductive land, officially designated for double cropping, is reassigned to a more able household. Insufficiency of water added to the fact that inclement weather and unsuitability of crops to be cultivated on certain types of land are proving to be real deterrents to the country's agricultural development. Farmers who could not meet the required quota had to pay the market price in cash for the shortfall to the authorities. In some places flood prevented cultivation. There were some areas where crops failed all the three times they were cultivated. These cultivators not only wasted their efforts and suffered losses but also because of their inability to fulfill their quota were arrested by the hundreds.

In some localities the cultivators who could not weather crop had to make payment at the rate of 300 Kyats per acre to Township and village authorities that lined their pockets with these fines. Those farmers who do not have ready cash had to pawn or sell their cattle, carts, houses, etc., to pay the fines. The poor cultivators had to face lots of difficulties.

For example, over 100 men and women cultivators from Syrium Township, Rangoon Division were prosecuted because they could not fulfill their quota. In Hmawbi Township cultivators who did not achieve 75 percent of the quota had to give 300 Kyats to 500 Kyats in addition to which they had to make up the difference at the rate of *Kyat* 3 per basket of paddy. The reason given by those collecting the "levy" was that the money was to be used to come to an understanding with Land Records Department and Agricultural Department officials. Moreover, the farmlands of those who failed to provide the required quota were confiscated and transferred to those who were close to the authorities. The original owners were therefore compelled to lease back these paddy

lands from the newly authorized farmers for sums ranging from Kyat 3,000 to Kyat 6,000.

In Taungdwingyi Township, Magwe Division the Township sugarcane purchasing committee sent a letter through village and Township officials threatening sugarcane growers. The letter stated that sugarcane growers who failed to supply their produce would have their land confiscated and transferred to the army-training unit and they themselves would have to proceed at their own expense to the Ann Valley Road building project and work there. This caused great alarm among sugarcane growers.

The socialist-era reassignment of arable land to productive farmers has taken a new twist in the late 1990s: corporate rice farming. In January 1999, the SPDC announced that 200,000 acres of paddy land in Irrawaddy, Rangoon, and Magwe Divisions had been transferred to nine unnamed entrepreneurs licensed by the SPDC to reclaim "wetlands and vacant, fallow and virgin lands."

According to the World Bank report September 1, 1999, in recent years, growth has not benefited the poor, an acute currency shortage has emerged, and private capital flows have collapsed. This is not just because of the East Asian crisis whose impact is contained by the fact that Burma is weakly integrated in the regional economy. A more important reason is that second generation economic reforms addressing structural rigidities in the macro-economic framework, in agriculture, in private sector development and in shifting the government's role in the economy, have not been implemented. Instead, the authorities are responding to the economic difficulties with ad hoc measures that are further distorting incentives and impeding poverty reduction and human development.

Rural poverty and agriculture are linked in Burma: for over half of poor rural households, agricultural production is the primary economic activity. And yet, agricultural growth has stagnated since the mid 1990's. The rate of growth has fallen to 2.5 percent in 1998/99 from an impressive 6.7 percent in 1995/96 (following price and domestic trade liberalization in the late 1980's). The decline is even more dramatic in growth per capita, which, in the same period, fell from about 5 percent. This lends support to the claim that recent overall GDP growth has not been sufficient nor has it benefited the poor. Also, it underscores the need for a second generation of structural reforms to rejuvenate agriculture.

Photo: Confiscated lands form villagers of Kalay Township, Sagaing Division



Source: FTUB, India-Burma

**5.2. Land reclamation:** The reform program outlined above would improve the use of existing cultivated land and move toward bridging the large yield gap between Burma farmers and their counterparts in the Southeast Asian Nations (ASEAN). It would also redress rural poverty frontally by increasing agricultural incomes. In recent years, the authorities have chosen a somewhat different path to increasing agricultural output which involves bringing uncultivated land under the plough. According to official data, 115,291 acres of land have been reclaimed throughout the union and are being cultivated in holdings of 3000 to 5000 acres on 30 year leases. Inputs (fertilizer, fuel, irrigation, telephone lines and credit) are provided to the farmers at subsidized rates, and they can import farm machinery duty free.

It is recommended that these schemes not be expanded pending a thorough review of several concerns. The first, of course, is that these schemes are claiming scarce public resources that are better utilized in improving the efficiency of existing farm land. Secondly, the large size of holding will permanently distort farm tenure in Burma and will increase income inequality. Thirdly, by increasing the exposure of financial institutions to such schemes, the government is building up contingent liabilities that may lead to financial sector problems similar to those experienced by ASEAN economies in the last two years. Fourthly, and most importantly, the schemes potentially have serious environmental implications associated with clearing of forests; drainage of wetlands and construction of dams that merit detail evaluation.

Moreover, taxes are collected in unconventional ways in Burma, as evidenced by the procurement system in agriculture, which mimics a land tax. As a result, the ratio of tax to GDP understates the actual extent of taxation. At the same time, generous tax exemptions were offered to investors in large-scale agricultural projects. Efforts to improve agricultural performance could concentrate on improving productivity on land already cultivated, or developing new lands for cultivation. The junta has adopted a policy that stresses the second option.

Under a land reclamation program that began in late 1998, the junta has decided to develop large tracts of land to be farmed by private entrepreneurs. A large portion of the country's 22 million acres of currently vacant cultivable land is considered potentially eligible. The land includes wetlands, coastal land, and dry zone land not under cultivation. To date, around 1.1 million acres have been allocated to some 80 business groups. Most holdings are around 3,000 to 5,000 acres, though a few are much larger.

The junta provides assistance for these projects in a number of ways.

- \* Land is made available in a 30-year lease, free of charge, under the condition that the land be developed for agricultural production within three years;
- \* The public works required for flood control, drainage, and irrigation are provided free of charge;
- \* Government agencies assist in supplying the heavy earth-machinery used to level the fields for paddy production, at subsidized rates;
- \* The Government provides technical assistance in developing the project, free of charge;
- \* Local private banks are encouraged to provide loans to the projects on a preferential basis;
- \* Fuel required for project construction and land preparation is provided at the government price of 160 Kyats per gallon, half the current market rate;
- \* Project investors may export half the rice they produce and are exempted from the rice procurement system, MAPT;
- \* Telephone services, including cellular phones and land-based phone lines, are provided on a preferential basis;
- \* Security services to protect project staff and equipment are provided free of charge; and

- \* Equipment, including water pumps, tractors, bulldozers, and excavators may be imported duty free and in unlimited quantities without the need to demonstrate foreign exchange earnings, as other importers must do.

The reclamation policy appears to have been put together too quickly, without proper and separate consideration of economic, environmental, and other costs and benefits in each region of the country. For example, a land reclamation scheme of the Myanmar Billion Group (MBG), which involves draining a wetlands area, describes the social costs of the project exceed its social value, as local communities lose access to the wetlands being drained. The social and environmental consequences of these large, capital-intensive agricultural enterprises could be more costly than the purely economic considerations.

Land reclamation schemes are also under way in upland and coastal areas. Conditions are very different in each of these areas, which does not seem to be reflected in the reclamation policy in each area. The local business groups given access to the land are required to "develop" land degradation brought on by such hasty development is a serious concern. The threat of creating lasting social conflict between the local groups now denied access to these lands and the business groups being established on large agricultural estates is also considerable.

### 5.3. Military Agricultural Projects

In 1997 over 1,000 acres of land between Kayon Taung and Kaw Bwee Taung villages, Kyeikmaraw Township, Mon State were confiscated by the South-eastern military Commander. The land was allocated to the military Battalions under the command of government departments, the Navy and the police force for self-reliant agricultural projects and the villagers of these areas to cultivate for them. As the civilians also have their own land to work for their survival, the village headmen collected money and hired people who were able to work on the military run projects; therefore, each village tract spends approximately 300,000 Kyats every year for hiring people and other expenses<sup>2</sup>.

And in early 1999, SPDC troops of IB 245 confiscated 60 acres of rice fields from the Shan villagers of Wan Pawm, Tin Thaat and Waeng Sun villages in Kaeng Taung, Shan State. After that, the troops forced the villagers in the area to lease the land to grow rice at the rate of 2,000 Kyats per acre per year or for one harvest. (Source: SHRF)

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<sup>2</sup> Source: HRDU



Photo: LIB 310's Thitsaint tree farm, near Eidu-Moulmein motor road, Mon State



Source: FTUB, Mon area

Photo: Army Brick farm, 545 support battalion, Ngantay village, Moulmein Township, Mon State



Source: FTUB, Mon area

Photo: Military owned UMEH's Padonmar soap factory, near Thanphyugone village, Paung Township, Mon State (This land was owned by the Tanphyugone villagers)



Gas pipeline, crossing on the private farm near Zarthabyin & Pa-an road, Kyeikmaraw Township, Mon State



Gas pipeline crossing on private farm, Nyaungbinseik & Kyawechangone village, Kyeikmaraw Township, Mon State



Source: FTUB, Mon area

## 5.4. The Fleecing of Burmese Farmers

For years from 1962 to 1988, the military regime managed the agricultural sector of the command economy of the Socialist Republic of the Union of Burma by institutionalizing “the advanced purchase of paddy system” with a state monopoly on rice export. By advancing loans to farmers, the government established a system of quotas for farmers to sell their harvested paddy at predetermined prices to the state buying depots. After the military coup of 1988, the military regime renamed the former state buying agency the Myanmar Agricultural Trading Produce (MATP) and began to offer higher procurement prices of paddy to farmers. Former buying depots and quota system of delivery to the state were reinstated. A farmer who cannot meet the quotas is subject to arrest and seizure of his farm by the authorities. The junta’s purchase prices at the state buying depots or farmgates well below the free market price offered by the private traders.

In 1994/95, the private purchase price of paddy was 7,668 Kyats per ton which was more than double the government purchase price of 3,833 Kyats per ton. This unfair procurement and pricing system with state monopoly on paddy and rice export has been largely responsible for the continuing economic plight of Burmese farmers. In 1994/95, the spread between the export parity price of 12,030 Kyats per ton received by the government and the average farmgate price of 10,000 after procurement received by farmers was 2,030 Kyats per ton to underscore the fleecing of farmers by the state for the purpose of export to earn foreign exchange. According to the World Bank’s estimate, the total income loss of farmers due to implicit taxation and export ban by the government was over 14 billion for traditional paddy output with loss due to export ban accounting for over 70 percent of the total income loss of farmers in 1995<sup>3</sup>.

The paddy output per acre ranges from 60 to 70 baskets, most farmers cannot meet their quota due to the limited supply of inputs for farming such as fertilizers and insecticides sold by the junta at low official prices, the amount undercut by the state procurement agents and the forced payment of paddy to the army. The shortage of inputs sold by the state forces farmers to purchase them in the black market at high prices. This process of paddy and rice distribution seething with corruption and state officials swindling the farmers at the village buying depots across the country explains how and why there has been a widespread shortage of rice for domestic consumption and escalating price of rice in major urban centers of Burma.

Burma's system of socialist agricultural policies from 1962 to 1987/88 was repressive. Farmers could not freely choose which crops to grow, nor could they process and sell them. Government procurement prices for paddy were fixed and lagged well behind market prices. Private exports of agricultural produce were not permitted. By 1982/83, the market price for paddy was 4.2 times the official price (Myat Thein and Maung Maung Soe, 1995). In 1985/86, the share of agriculture in GDP was only 40 percent. Growth rates were negative in 1987/88 (-6.4 percent) and 1988/89 (-13.2 percent).

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<sup>3</sup> Dr Mya Maung, *The State of Burmese Economy under Military Management*, 1995

Significant reforms were introduced in the late 1980s, including the decontrol of prices and domestic trade in rice and other crops and some recognition of border trade. After 1988, the junta liberalized the cultivation and export of certain crops such as beans and pulses, reduced fertilizer subsidies, and partially privatized fertilizer provision. Farmers are now relatively free to make their own cropping choices, though the junta has recently embarked on an intensive campaign to encourage large-scale production of the "four pillar crops" of the economy: paddy, beans and pulses, cotton and sugarcane.

In many ways, however, the policy environment for agriculture has become more distorted, including sustained export bans on rice and certain other crops and continued forced quota deliveries of rice. The junta has also become involved in the occasional procurement of other crops exported by the private sector such as pulses and beans. Intermittent local closing and opening of the border trade for various agricultural products have become more common. The junta is vigorously pushing nationwide expansion of cultivated lands, giving high priority to large-scale farming ventures by private entrepreneurs. Production targets for farmers and townships have been set for the four pillar crops.

## 5.5. Procurement

Two types of implicit taxes are levied on rice production, both of which reduce incentives to produce rice. The first is an implicit tax on land used for rice cultivation, which arises from the difference between market prices and procurement price at which Myanmar Agricultural Procurement Trading (MAPT) compulsorily acquires rice from farmers. The second is an implicit rice export tax, which arises from the difference between domestic rice prices and f.o.b. export prices. MAPT procures paddy from farmers according to compulsory procurement quotas that are fixed per acre and reflect land quality.

The government's procurement system practiced since 1973 will be abolished by the end of 2003 when the harvest season starts, according to the government announcement. However, it is not clear whether farmers will benefit from its measure due to its ambiguity and complexity.

These rice procurements are used for export and to supply civil servants and other fixed-income groups with rice at subsidized prices [*Approximate disbursement of the 1.2 million metric tons of milled rice equivalent (2 million tons of paddy) procured in 1998/99 was: subsidized distribution, 0.7 million tons; export; 0.1 million tons; additional to stocks. 0.2 million tons, and commercial domestic sales, 0.2 million tons*].

The procurement price in 1998/99 averaged 320 Kyats per basket of paddy - the same as the previous year. It will be retained for the following crop year as well [*Performing the above calculation for delivery to the port, this rice costs MAPT around US \$ 88 delivered at the port. At f.o.b. US \$ 200, the implicit rate of export tax on this rice is 56 percent*].