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# **Burmese Way to Crony Capitalism**

**The Socialist Roots of Burmese Cronyism**

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# Contents

Leftist Unity Council . . . . .	3
Defense Services Institute . . . . .	3
Burma Economic Development Corporation (BEDC) . . . . .	4
The Burmese Way to Socialism . . . . .	4
Union of Myanmar Economic Holdings Limited . . . . .	5
Myanmar Economic Corporation (MEC) . . . . .	6
Aftermaths . . . . .	6

## Myanmar Economic Corporation (MEC)

Parallel to MEHL, MEC is a holding company with businesses in the mining, manufacturing, and telecommunications sectors, as well as companies that supply natural resources to the military, and operate factories producing goods for use by the military. Back in 2009, MEC had 21 factories, including 4 steel plants, a bank, a cement plant and an insurance monopoly.

A subsidiary of MEC, Star High Public Company, owns 28% of Mytel, one of Myanmar's largest telecommunications companies, in a joint venture with Viettel, a Vietnamese state-owned multinational telecommunication, under the leadership of Communist Party of Vietnam (CPV).

## Aftermaths

By maintaining the power of military bureaucracy, the military dictators and their fellow military bureaucratic class could dominate every sector, anyone wishing to make changes—or even those seeking personal gain—always had to approach a member of the military bureaucracy. By treating taxes and state funds as a private treasury, the military bureaucratic class transformed into a crony elite, elevating themselves while granting exclusive business permits to their relatives to create a web of powerful tycoons. This systematic diversion of public resources allowed them to cement their control over the nation's economy through a multi-generational web of relatives and insiders.

Knowing that a transition to democratic governance where market economy is prioritised would end their systemic privileges profiting from the state-dominated economy, the military bureaucracy has aggressively fought for its position, a struggle that resulted the 2021 coup. This last attempt for coup ignited the Spring Revolution, uniting all classes of society in an extraordinary and cooperative effort to permanently overthrow the military's bureaucratic class and its cronies.

History often remembers the 1962 coup as an unexpected seizure of power by a power-hungry General. However, the military's current denial to depart the politics and their evolution into an elite “crony” class from the military bureaucratic class are rooted in the seven-decade growth of their bureaucratic power and economic interests, which began in the 1950s. To understand today's political situation, one must trace how the military successfully embedded itself into the nation's economic and administrative core over the last seventy years.

## Leftist Unity Council

A few months after the independence, in July 16, 1948, the Leftist Unity Council was formed to build mutual understanding between the Marxist-Leninists from Communist Party of Burma and the social democrats from the Socialist Party of Burma, given their hostile relationship as the CPB demanded to establish one party authoritarian Marxist-Leninist state while the BSP defended the multi-party social democratic parliamentary politics.

The committee encompassed of leftists from the military rank, the BSP, People's Volunteer Organization, and Marxist-Leninists from different political entities. Ne Win, a former party member of Communist Party of Burma who later will be known as the first dictator of Myanmar for his coups in 1958 and 1962 was the chair of Leftist Unity Council while Thein Pe Myint, the third General Secretary of CPB, was the General Secretary of Leftist Unity Council. Thein Pe Myint, along with some members of the Leftist Unity Council encouraged Ne Win to lead the coup in forming a socialist coalition government around August 1948, only around 8 months after the independence. Ne Win, however, refused to conduct the coup in 1948.

## Defense Services Institute

Defense Services Institute (DSI) emerged around 1951 ranging from the reasons of operating a non-profit canteen service for military personnel, to acting as a “social welfare” wing to boost military morale during the internal insurgencies of the post-independence era. Later, it had developed into an attempt by a faction of the military bureaucracy to seize control of the economy. Under the leadership of Brigadier Aung Gyi, the DSI expanded aggressively into the private sector, becoming the largest and most powerful business enterprise in the country.

However, the DSI's true transformation only occurred during the first coup in Burma's history, the era of Caretaker Government from 1958 to 1960, when

General Ne Win took power temporarily until the 1960 election. Here, it's important to note that General Ne Win, who once refused to conduct a coup, became interested in becoming the leader of the nation after the establishment of DSI.

The DSI had grown into a huge multinational corporation by the late 1950s, expanding its business into vital industries like manufacturing, banking, shipping, and construction. Through well-known projects like the Burma Five Star Line and the Strand Hotel, this expansion enabled the organization to control Myanmar's infrastructure and business environment.

### **Burma Economic Development Corporation (BEDC)**

After the 1960 election, when U Nu returned to power, he attempted to restrain the economic reach of the emerging military bureaucratic class. In response, the military restructured the DSI into the Burma Economic Development Corporation (BEDC) in 1961. This move was envisioned to shield military assets by engaging them under a statutory body.

The BEDC's reach extended from import-export businesses and bookshops to, eventually, bars and liquor shops. These businesses merged with the forces within "Burma Socialist Party" — where many of the era's political power-holders resided—creating a massive bureaucratic apparatus. Since it was a military-owned enterprise, the very force meant to carry guns and defend the nation began to hold the scales of the economy as well. The officers leading the BEDC began to act as "know-it-alls," moving from their field of expertise (military affairs) into uninvited realms of politics, economics, and other social matters. Regarding social welfare, they began to preach widely—using Japan as an example—the ideology that the military community deserved special privileges. BEDC and DSI were considered as the training fields and the honeymoon stage of their larger dream of driving national economy.

### **The Burmese Way to Socialism**

General Ne Win, who once refused to a coup request by the Leftist Unity Council in 1948, became interested in becoming the leader of the nation after his experience of Caretaker government. Ne Win, founded a council called "Revolutionary Council" and conducted the coup in 1962. Then, he transformed "Revolutionary Council" into a political party named "Burma Socialist Programme Party (BSPP)", introducing its economic program as "The Burmese Way to Socialism."

In doing so, the military bureaucratic forces were able to dominate politics, economics, and various other affairs despite internal issues. Under "The Burmese Way to Socialism," even small private businesses were nationalised.

Everything from bookshops to liquor stores was owned by the State. Essentially, the State was owned by the Burma Socialist Programme Party and the BSPP was owned by the entire military bureaucratic class which in turn was led by U Ne Win and a few of his followers.

### **Union of Myanmar Economic Holdings Limited**

After the downfall of BSPP in post-1988, the Union of Myanmar Economic Holdings Limited (UMEHL) was established by Announcement No. 7/90. At first glance, it appeared to be just another company being formed by the military government, to generate profits from light industry and the trade of commercial goods. However, the "government" portion was officially listed under the name of the "Director of Procurement, Ministry of Defence." This effectively meant that the military had 100% control over UMEHL under the guise of the government. The 40% government share was acquired as a loan from the Central Bank while the 60% was contributed by the military community.

The military maintained its financial dominance by using its immense influence to secure unchecked bank loans from former officers in high-ranking banking positions, while also forcibly deducting shares from the wages of ordinary soldiers. This systemic abuse of power ensured that neither institutional oversight nor internal dissent could prevent the military bureaucratic class from funneling both state and private wealth into their own assets. With such funding, UMEHL acted as monopoly in a wide range of businesses in Burma, such as export of consumer goods, gems, agricultural products, timber, rubber and import of staple foods and cars as it managed to control at least seventy-seven firms, nine subsidiaries and seven affiliated companies. Also, MEHL was exempt from commercial and profit taxes given that its shares are limited only to military units, active duty and retired military and veterans' groups.

During the era of National League of Democracy, the very first democratically elected government in Myanmar since 1960s, UMEHL privatized its operations and changed its name to MEHL only in order to divert the profits away from the national budget and direct civilian oversight.