Japan’s Development Ambitions for Myanmar: The Problem of “Economics before Politics”

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Abstract: Myanmar and Japan have had an important shared history since the Pacific War, when Japan occupied the British colony of Burma and established the country’s first postcolonial state and army. The period from 1941 to 1945 also witnessed the “militarization” of Myanmar as the country was turned into a battlefield by the Japanese, the Allies and indigenous insurgents. After independence from Britain in 1948, the Union of Burma continued to suffer insurgency and became a deeply conflicted society, especially under the isolationist socialist regime of General Ne Win (1962–1988). However, Japan played a major role in Myanmar’s economic development through its allocation of war reparations and official development assistance (ODA), especially yen loans.

During the period of martial law from 1988 to 2011, Tokyo exercised some self-restraint in giving aid due to pressure from its major ally, the United States, with its human rights agenda. However, with the transition from junta rule to constitutional government in 2011 came a dramatic increase in Japanese ODA, as Tokyo forgave large amounts of debt and invested in ambitious new special economic zones (SEZ). Japan will no doubt benefit from Myanmar as close ties are expanded: Not only will Japanese companies profit, but Japan will have access to Myanmar’s raw materials and gain ability to compete more effectively with an economically expansive China. On Myanmar’s side, though, it is unlikely that anyone other than the military and crony capitalist elites will benefit from the flood of new yen loans and infrastructure projects. This paper argues that without a political resolution of Myanmar’s many conflicts, including the establishment of genuinely open political institutions, the aid of Japan (and other countries) is likely to make these deep-rooted social and ethnic conflicts even worse.

Manuscript received 20 April 2015; accepted 13 June 2015

Keywords: Japan, Myanmar (Burma), militarization, official development assistance (ODA), deeply conflicted society, ethnic armed groups, “economics before politics”
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Introduction

With the dissolution of the State Peace and Development Council (SPDC) military junta in March 2011, a political transition began in Myanmar that foreign leaders have often misunderstood, in part due to wishful thinking and in part to perhaps wilful ambiguity on the part of President U Thein Sein and the other retired military officers who still rule the country. Frequently, they claim that Myanmar is set firmly on the road to “democracy” and its political system is becoming steadily more open. However, politics as defined in the 2008 Constitution (which was approved in a highly irregular popular referendum in that year and went into effect in 2011 with the dissolution of the SPDC) is hedged in by key articles in the basic law that leave the Tatmadaw (the Myanmar armed forces) firmly in control. The inclusion of Daw Aung San Suu Kyi and her National League for Democracy (NLD) party in the political process, the surprisingly active role taken by herself and other civilian members of the Pyidaungsu Hluttaw (the bicameral Union Parliament) in policymaking, the comprehensive ceasefire being negotiated with ethnic-

1 For example, President Thein Sein said to US President Barack Obama when they met in Washington, DC, in May 2013, “I am also very pleased to have this opportunity to discuss about the democratization process and reform process undertaken by my country. […] Now that our country, Myanmar, has started to practise democratic system, so that we can say that we have […] similar political system in our two countries. […] As you know […], our democratic government is just two years old. And we have, within the short period of two years, our government has carried out political and economic reforms in our country. Because we are in a very nascent stage of democratic – a democratic stage, we still need a lot of democratic experience and practices to be learned” (The White House 2013).

2 Most prominently, the Constitution (Articles 109b, 141b, and 161d) allocates 25 per cent of the seats in the Union Parliament (Pyidaungsu Hluttaw) and regional and state legislatures to active-duty military personnel, chosen by the commander-in-chief of the Tatmadaw. The ministers of Defence, Home Affairs and Border Areas are also chosen from among active-duty officers by the commander-in-chief (Article 232b(ii)), and because the assent of at least 75 per cent of the members of the Union Parliament are required to amend the basic law, the military legislators (or the commander-in-chief) have veto power over the amendment process (Article 436a). Should conditions require – in the military’s eyes – a declaration of a state of emergency, the commander-in-chief has the “right” to take over government powers. Unlike the case in other constitutions, the president of the Union (presently U Thein Sein) is *not* commander-in-chief, a separate office currently held by General Min Aung Hlaing. For a discussion of how the 2008 Constitution protects the autonomy of the Tatmadaw, see Taylor 2015: 1–5, especially fn. 5, 7.
minority armed groups and the relaxation of state controls over the media, labour unions and student activism have, with some backward steps, been encouraging developments. However, the Tatmadaw continues to define the boundaries of “national politics” and could easily intervene in politics – as it has in the past – whenever it believes events are going in a direction contrary to “consolidation and perpetuation of sovereignty”, one of the fundamental goals of the military-dominated state.

In the wake of the transition, which included the election of Daw Suu Kyi and 42 of her NLD colleagues to the Pyidaungsu Hluttaw in a by-election on 1 April 2012, Western countries have dropped their harshest sanctions and pursued normalization of ties with Myanmar. The United States government not only allowed the severe sanctions imposed by the 2003 Burmese Freedom and Democracy Act to lapse in 2013, but also appointed an ambassador to the country for the first time since the late 1980s. However, no country has responded more enthusiastically to Myanmar’s political transition than Japan, which has forgiven an unprecendentedly high percentage of Myanmar’s debt and allocated new large-scale official development assistance (ODA), including the first yen loans to Myanmar in a quarter of a century. In collaboration with the new post-junta regime, Tokyo has sketched out ambitious development projects for Myanmar that, if carried out, would be a major factor in transforming not only the economy but also society and inter-ethnic relations within Southeast Asia’s second-largest country (Slowdkowski 2012: 1–7).

Both the large size of Japan’s post-2011 ODA intervention in Myanmar and its emphasis on ambitious infrastructure projects, especially special economic zones (SEZ), draw attention to an important though often ignored question in the usual debates on “development”: Can modernizing and transforming an “undeveloped” economy and society solve deep and long-standing political conflicts, or is it likely that technology-driven economic development, by concentrating power more thoroughly in the hands of recipient country elites, will only succeed in making the political system more authoritarian? This question is especially

3 Taylor 2015: 3, fn. 5. In the Tatmadaw conceptualization, while “party politics” concerns the interests of parties and sections of Myanmar’s population, “national politics”, the preservation of national unity and independence, is the major responsibility of the armed forces and takes priority over party interests (Taylor 2015: 8).

4 The Burmese Freedom and Democracy Act was passed by the US Congress after the violent attack on Aung San Suu Kyi and her supporters by pro-junta thugs near Depayin in central Burma on 30 May 2003 (often known as the “Black Friday” incident).
relevant for countries like Myanmar that have experienced deep conflict over the years – in other words, conflicts, unresolved for decades, over the basic nature of the national community and its membership.\(^5\)

In this article, I wish to use the example of Japan – the most generous donor of official development assistance to Myanmar – to argue that the inflow of large amounts of ODA is likely to be destabilizing. Indeed, it is likely to make deep-rooted social and ethnic conflicts inside Myanmar even worse than they are now unless, prior to large-scale economic intervention, there is a political resolution to the most serious of these conflicts. But a genuine political resolution requires institutional (or constitutional) change and a devolution of power from the military-dominated central government to states and regions, ethnic minorities and local communities, which the retired military officers in Naypyidaw are extremely loath to undertake. In terms of its political interests, throwing money at social problems by building ODA-funded projects such as SEZs and integrated transport networks not only avoids diminution of state power, but in fact enhances it. Thus, recipient regimes are likely to look upon ODA from Japan (and other nations and agencies as well) as a gift that confers benefits in the form of technical and economic power to elites, while non-elites and marginalized groups will benefit minimally – or not at all.

**Unfinished Business: The Roots of Deep Conflict**

Understanding Myanmar’s deeply conflicted society requires at least a summary discussion of its modern history. A major battlefield during World War II, it experienced some of the war’s most intense fighting both in 1942, when the Japanese successfully expelled the British colonials from all but the most remote parts of the country, and in 1944/1945, when, after the bloody Japanese defeat in the 1944 Imphal campaign in northeast India, the Allies reoccupied the country, recapturing Yangon (Rangoon), the colonial capital, in May 1945. Along with tens of thousands of foreign (Japanese, British Indian, British, East and

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\(^5\) Such deep conflicts seem to occur most often in those countries in which there is no consensus on “stateness” – that is, where there is no agreement on which people (and the territories they live in) are part of the national community, and which people/territories are not. Struggles for secession in countries such as the Civil War-era United States, Ireland, Israel/Palestine and Myanmar tend to be not only violent but also protracted.
West African, Chinese, American) troops, indigenous guerrilla fighters and “pocket armies” sprung up around the country, armed with easily obtainable Japanese and Allied weapons. While a British colony, Burma was perennially restless, but the war threw it into chaos and a vicious cycle of score-settling, especially between the Bamars, who generally cooperated with the Japanese occupiers until Aung San’s uprising in March 1945, and many of the ethnic minorities such as the Karens, Chins and Kachins who remained loyal to the British.

The surrender of Japan in August 1945 and the repatriation of Japanese troops did not bring an end to fighting inside Myanmar. In 1948/1949, the newly independent Union of Burma faced “multi-coloured insurgents” who included not only the majority faction of the Communist Party of Burma, known as the White Flag communists, but also ethnic minorities, particularly the Karens, who wanted to carve an independent Karen state (“Kawthoolei”) out of the Union’s territory along the Thai–Myanmar border. During the Ne Win years (1962–1988), as many as thirty insurgent groups operated in the border areas, the most formidable being the China-backed People’s Army of the Communist Party of Burma.\(^6\) Annually, the Tatmadaw launched dry-season offensives against the well-armed communists but was unable to dislodge them from their bases in Shan State along the Myanmar–China border. However, these campaigns caused great suffering among civilians, as did similar campaigns against the Karens and Mons of southeast Myanmar, the Shans and other minorities in central Shan State and the Kachins of northern Myanmar.

Although the post-1988 junta agreed to ceasefires with most of the major ethnic armed groups in the late 1980s and early 1990s (a major exception being the Karen National Union), the split between Bamars and minorities has remained a salient feature of Myanmar’s politics up to the present day. The achievement of a comprehensive and conclusive ceasefire agreement between the post-2011 government and armed groups has continued to be elusive due to mutual lack of trust. Although the communist insurgency broke apart in 1989, one of its present-day successor groups, the United Wa State Army (UWSA), remains the larg-

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\(^6\) Cooke (1983: 232–235). Large and small, the insurgencies could be divided into three kinds: (1) the communists; (2) armed groups identified by ethnic affiliation, sometimes but not always seeking independence for their people; and (3) warlord groups, which prospered through the export of opiates and included the Chinese Irregular Forces, Kuomintang units that fled the communist takeover in 1949 in Yunnan and established bases in Shan State east of the Salween River.
est and best-equipped ethnic armed group, and has become a kind of “mini-state” in northern and eastern Shan State, carefully guarding its armed strength and autonomy from the central government while exporting drugs to international markets. Because it is highly unlikely that the Tatmadaw, even with advanced weapons, could subjugate the Wa, their mini-state (which is inside the Chinese sphere of influence rather than being integrated into Myanmar) will be a challenge to Myanmar’s national unity for years to come.

Although it signed a ceasefire with the State Law and Order Restoration Council (SLORC) regime in 1994, the Kachin Independence Army (KIA) went back to fighting the Tatmadaw in June 2011, while the Karen National Union (KNU) signed a provisional ceasefire with the government in 2012, though because of animosity between the KNU and the Democratic Karen Buddhist Army (DKBA), a “pro-government” group, tensions remain high in areas where Karens live in large numbers. Most recently, relations with China have been complicated by fighting between the Tatmadaw and a small but strategically placed group known as the Myanmar National Democratic Alliance Army (MNDAA, also known as the Kokang group), mostly composed of drug-dealing Han Chinese guerrillas who operate along the Myanmar–China border. In western Rakhine (Arakan) State, the refusal of the central government to grant citizenship to the Muslim Rohingyas and the hostility of local Buddhists have been motivations for violence against the minority by both the army and Buddhist religious extremists. Communal violence in central Myanmar in 2013 indicates that Buddhist hostility against the Rohingyas has broadened out into hostility against practically all Muslim communities, with extremist monks such as U Wirathu playing a major role in fanning hatred (International Crisis Group 2013: 17–18).

Conflict in Myanmar, however, is not only defined ethnically or religiously. In the central part of the country, inhabited mostly by ethnic-majority Bamar Buddhists, who comprise about two-thirds of the country’s total population, the military-dominated state under General Ne Win (1962–1988) had a coercive relationship with urban and rural populations, reflected both in the growth of a huge black market that challenged Ne Win’s socialist control of the economy and in occasional uprisings by students and other city dwellers, especially in Yangon, which were sparked by shortages of basic necessities such as rice and/or by abuses of power by Ne Win and his cronies. Social unrest reached crisis proportions in the mid-1970s, but Ne Win was able to remain in power until 1988, when student and popular protests throughout central My-
anmar led to the old dictator’s decision to retire and hand power to a younger generation of Tatmadaw officers.

Thus, the bloody confrontations of “Democracy Summer” in 1988 were essentially a family fight among Bamars, with the ethnic-minority insurgents looking on. Once the SLORC junta was in power, both in central Myanmar and the border areas it carried out policies of forced labour and forced relocation that were meant to deprive anti-junta activists of supportive populations and to generate cheap (or free) labour for the junta’s economic development projects, including the construction of an entirely new national capital at Naypyidaw in central Myanmar, which was formally established in November 2005. Forced relocation to peripheral squatter zones, especially in Yangon, was designed to undermine the local roots of workers’ and middle-class resistance to the state in urban areas after 1988; the junta even decentralized the universities, shutting down old campuses near the city centre and constructing new ones in Yangon’s periphery lacking student housing that would have enabled students to live on campus and form activist associations (post-1988 university students were expected to commute from the city, usually a long journey, or take correspondence courses) (Seekins 2011: 163–170). SLORC/SPDC policies were even more oppressive than those of Ne Win for ordinary people, so even in the Buddhist Bamar heartland, despite conditions there being generally more peaceful than in the border areas, the central government enjoys only very limited support or legitimacy.

Since the transition initiated by U Thein Sein and his fellow officers in 2011 has included neither an adoption of a truly federal system of autonomy in ethnic-minority areas nor an attempt to improve relations between the Tatmadaw and civilians through the establishment of a just rule of law (including clearly defined and fairly administered land rights), state–society relations are enforced through material incentives or, when those fail, coercion, which has happened most egregiously when the police tried to remove farmers from their land to allow the expansion of a copper mine at Letpadaung, near Monywa in the Bamar heartland, which is a joint venture between Union of Myanmar Economic Holdings, a military-owned conglomerate, and Wanbao Copper Mining, Ltd., a Chinese company. Flaring up in November 2012, the Letpadaung standoff has continued up to the present (Zarni Mann 2015). Although the human rights situation in Myanmar overall has generally improved since the Constitution was implemented in 2011 (for example, most political prisoners have been released from jail, though a few new ones have been
arrested), the Tatmadaw has shown no real remorse for past injustices nor a commitment to better government in the future.7

Japan’s Economic Interventions in Myanmar, 1954–2010

Despite the authoritarianism of both the Ne Win regime and the SLORC/SPDC, Japan, which since the resumption of bilateral relations in 1954 has on a year-by-year basis usually been the most generous provider of ODA to Myanmar, has rarely if ever criticized the coercive nature of military rule since it was first imposed by Ne Win in 1958.8 On several occasions, Tokyo called on the junta to improve its treatment of Daw Aung San Suu Kyi after 1988 and requested her release from house arrest in line with the support for the pro-democracy leader given by the United States and other Western countries (Seekins 2007: 106–110). But in aid-planning and implementation, Tokyo has tended to take an attitude of strict non-interference in the recipient nation’s politics. Or rather, it has defined its role as primarily economic and technological in an effort to make Myanmar a “developed” country, an objective that would be uncontroversial except for the nature of successive military regimes and social and ethnic conflicts since the late 1940s.

Shorn of its “Greater East Asia” ideology (which before August 1945 preached a “sacred war” by Asians against “white colonialism”) and the capacity to wage offensive war following the 1947 adoption of the American-drafted “Peace Constitution”, Japan’s relations with the Southeast Asian nations it occupied during the Pacific War were encouraged by its principal post-war ally, the United States, but only in the economic, technical and commercial spheres. However, the Union of Burma under the government of Prime Minister U Nu refused to sign the 1951 San Francisco Treaty, which restored Japan’s independence after the Allied occupation and its membership in the international community. As leaders of non-aligned nations, neither U Nu nor his

7 The 2008 Constitution specifically precludes criminal proceedings against any of the (military) members of the SLORC or SPDC in Article 445: “No proceedings shall be instituted against the said Councils or any member thereof or any member of the Government, in respect to any act done in the execution of their respective duties” (Constitution 2008: 178).

8 For an 18-month period from 1958 to 1960, Ne Win led the “Caretaker Government”, which exhibited many of the features of the Tatmadaw’s coercive, top-down control of the country after his coup d’état on 2 March 1962. Seekins 2011: 88–92.
close friend Jawaharlal Nehru, prime minister of India, approved of the 1951 Japan–US Security Treaty, which allowed Japan to serve as an “unsinkable aircraft carrier” in America’s Cold War strategy to “contain” and roll back the tide of communism in East Asia.9 Instead, Burma and Japan signed a separate bilateral treaty in November 1954 that not only normalized diplomatic relations but also committed Japan to giving the equivalent of 250 million USD in war reparations to Burma, the first given by Tokyo to any Asian nation. Of the total 250 million USD to be disbursed over a ten-year period, 200 million USD was to be utilized for the purchase of Japanese goods and services for reconstruction purposes and the remaining 50 million USD for technical assistance and Myanmar–Japan joint venture projects (Seekins 2007: 57–61). For certain Japanese companies, war reparations for Myanmar provided a welcome opportunity to make money, since the Korean War boom that had stimulated Japan’s industry from 1950 to 1953 had just ended.

War reparations (supplemented by “quasi-reparations” amounting to 140 million USD after the initial reparations were paid out in the 1960s) constituted the first chapter in Japan’s aid relationship with Myanmar after the war, which by 2015 had a history six decades long. One of the most important reparations projects was the construction of the Baluchaung Hydroelectric Project in Karenni (Kayah) State, which, despite the presence of anti-government guerrillas in this remote and mountainous region, supplied Yangon with a dependable source of electric power until the power plant became ramshackle during the socialist era and caused frequent blackouts. Another key component of the reparations package was the “four industrial projects”, which were designed to stimulate Myanmar’s industrialization by funding assembly plants for the manufacture of light vehicles, heavy vehicles (trucks), agricultural machinery and electrical items; the plants were provided with parts from Japanese companies: Mazda (light vehicles), Hino (trucks), Kubota (farm machinery) and Matsushita (electrical items). Although boxy little Mazda “jeeps” were a familiar sight on Yangon’s streets during the socialist era, the four industrial projects were considered overall a failure by many Japanese observers since made-in-Japan parts were not replaced by parts manufactured inside the country (“domestic content”). However, Tokyo’s support for the four industrial projects in the form of yen loans continued until the late 1980s (Seekins 2007: 60, 61).

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9 The term “unsinkable aircraft carrier” was coined by Japanese prime minister Nakasone Yasuhiro in the 1980s.
Apart from its security relationship with the United States, Japan’s ODA has been arguably the most important element in its post-war foreign policy, with most loans and grants going to nearby countries in East and Southeast Asia since the original war reparations were paid out not only to Burma but also to Indonesia, the Philippines, South Vietnam and other countries. For internationally minded members of the Japanese public as well as its leaders, the distinction of becoming the world’s most generous donor of bilateral and multilateral ODA to developing countries, achieved in 1989, was a point of great pride, as was the rapid modernization of major recipient countries such as Singapore, Malaysia and Thailand. In Thailand, a classic “success story” for Japanese ODA, periodic military coups d’état did little to hinder the flow of big yen loans for infrastructure projects and, in the private sector, the creation of lucrative partnerships between Japanese trading and manufacturing firms and local Chinese Thai entrepreneurs, who wielded great power within the Bangkok elite, which also included the military high command, top bureaucrats and, of course, members of the Thai royal family.

In Myanmar, however, the situation was very different. The coup d’état of March 1962 led to the establishment of a Revolutionary Council junta comprised mostly of military officers close to its chairman, Ne Win, who combined top-down, authoritarian rule by decree and an iron fist in the suppression of opposition, especially student protests, with the establishment of a rigid state-socialist economic system similar to that of the Soviet Union. Approximately 15,000 enterprises were nationalized, Indian and Chinese businesspeople were persecuted and forced in large numbers to leave the country, and military officers became managers of socialist enterprises, a task which few of them were competent enough to carry out. They also replaced professionally trained civil servants, who had given Myanmar’s public administration a measure of competence before the socialist “revolution” of 1962. Many of the socialist military officer-managers used their positions to build up personal economic “mini-empires” which took advantage of the opportunities provided by the illicit black market, especially the notorious Tin Oo, head of Military Intelligence until he was purged and jailed in 1983 (Seekins 2011: 94, 104, 111). In terms of its economy, Burma was one of the most promising Southeast Asian countries in the 1950s. But by 1970, Ne Win’s socialist

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10 Nam Pan (n.d.: 1). Japan remained the largest donor of ODA among developed nations until 2001.
revolution had taken it far down the road toward economic stagnation and deep poverty, among the worst of any Southeast Asian nation.\footnote{Steinberg (2001: 12–27). According to Steinberg (2001: 17), “Japan was the major foreign support to all Burmese regimes, and without its assistance in the 1960s they might well have collapsed.”}

However, Japan continued to disburse generous allotments of ODA to socialist Burma; indeed, the amounts grew most impressively during the 1980s, even when it became clear that promises by Ne Win that the economy would be reformed and liberalized were never realized. Between 1980 and 1988, the Socialist Republic of the Union of Burma (as Myanmar was formally known after Ne Win adopted a constitution in 1974) was always among the top ten of Japan’s ODA recipient countries and was allocated the largest-ever amount of aid it had ever received (this remained true until 2012) in the pivotal and chaotic year of 1988, 259.6 million USD (Seekins 2007: 67).

There were several reasons why this was the case:

1. \textit{the character of the socialist regime under Ne Win} – once in power after 1962, Ne Win quickly became a “one-man ruler” who made all important policy decisions by himself rather than delegating them to qualified subordinates. Surrounded by loyal “yes-men”, he regarded politics as a matter of personal relations (despite his apparent commitment to socialist ideology). In addition, because of his wartime and post-war experiences, he remained especially close to Japanese diplomats and war veterans; because of its “Peace Constitution”, Japan also seemed less threatening to the isolationist Ne Win than did other major aid donors, especially the United States;

2. “request-ism” (special characteristic of Japanese aid) – “request-ism” (Japanese: \textit{yosei-shugi}) was adopted by the Japanese government as a way of respecting the sovereignty of recipient nations. Instead of aid projects being drawn up by technocrats in the donor nation, the recipient nation initiates the application for loan or grant funds (though often if not usually with the assistance of Japanese consulting firms); thus, Ne Win had a great say in which projects would be implemented;

3. large infrastructure projects (special characteristic of Japanese aid) – Japanese ODA in Myanmar and elsewhere tended to focus on public works and large infrastructure projects rather than “grassroots” or small-scale projects; usually, these projects were financed with concessional loans rather than grants in order to promote the recipient country’s “self-reliance”;
4. *the “Boomerang Economy” –* because of (3), above, ODA procurement contracts became a profitable source of revenue for major Japanese trading and manufacturing companies, even if projects were not formally tied to Japanese sources; in other words, funds allocated by the Japanese government for aid “boomeranged” back to Japanese companies after being spent on goods and services inside the recipient country; and,

5. *the (Japanese) perception that Myanmar has great potential in terms of its natural resources and labour force –* Myanmar’s abundance of energy, mineral, forest and agricultural resources has attracted attention since the nineteenth century, when the British took over the country. This was a major motive for Japanese occupation of Burma during the Pacific War. Moreover, since 1988 and the end of socialism, Myanmar has become a locale for very cheap labour.

The SLORC power seizure in September 1988 initiated a period of crisis in Myanmar’s internal affairs and its foreign relations that lasted for 23 years (1988–2011), only three years shorter than the socialist period (1962–1988). During this time, the state-socialist system was largely dismantled and the Myanmar economy was “opened” to investments by neighbouring countries, especially the People’s Republic of China, Thailand and Singapore. But despite the initially high expectations of the Japanese business lobby, the Japanese aid presence shrank (because yen loans were no longer extended, see below) and Japanese private investment never took off.

There were various factors involved in the decline of the Japanese economic presence during the junta period:

1. The SLORC/SPDC’s severe human rights violations and its ignoring of the results of the May 1990 general election, which was a landslide victory for the opposition NLD, led Western countries to enact sanctions against the regime and its local business partners (post-1988 “crony capitalists”). American sanctions were the most severe, and since the United States was Japan’s most important ally, Tokyo could not afford to ignore Washington’s human rights agenda by carrying out full engagement with the military regime. There was occasional “Myanmar friction” (Japanese: *myanmaa masatsu*) between Japan and the United States over Japan’s alleged eagerness to engage with the junta; and Japan’s adoption of the 1992 ODA Charter, which recognized democratization as a factor in aid allocations to recipient countries, seemed an attempt on Tokyo’s part to placate Washington – although it is unclear that democratization was ever
actively applied as a criterion in Japan–Myanmar relations, save for the moral support given by the Japanese government to Daw Aung San Suu Kyi.

2. Because of its economic ills, Myanmar could not afford to pay its international debt obligations (most of which were owed to Japan) by 1987, which made it infeasible for Tokyo to continue to provide yen loans.

3. Although Ne Win hoped to exercise influence if not control over the SLORC/SPDC junta after retiring in 1988, he was unable to do so, and as a result Japanese diplomats, businessmen and others did not enjoy the privileged access to the top leadership that they had before 1988; the new generation of military officers who held the top positions in the SLORC/SPDC junta had few if any close ties to Japan, and indeed seemed surprisingly willing to allow the People’s Republic of China to gain a dominant economic position in the country.

4. The end of the Cold War in the late 1980s and early 1990s (including the collapse of the Communist Party of Burma) led to an era in which Myanmar’s neighbours, especially Thailand and other member states of the Association of Southeast Asian Nations (ASEAN), were interested in “turning battlefields into marketplaces” (in the words of a Thai prime minister) and promoting the economic integration of (mainland) Southeast Asia. As a result, Thailand, Singapore, Malaysia and other states made large investments in Myanmar, which provided the junta with non-judgemental alternatives to the West and Japan. Myanmar was invited to become a member of ASEAN in 1997. Aid from Beijing, however, played the most important role in buoying up the post-1988 regime. China has utilized Myanmar as both a source of much-needed natural resources and a market for Chinese manufactured goods, including weapons.

The rise and decline of the Japanese aid presence is clearly reflected in statistics. During the last decade of the socialist period (1978–1988), the average amount of Japanese aid allocated annually was the equivalent of 154.8 million USD; this fell to 86.6 million USD during the period from 1989 to 1995, and still further to 36.7 million USD from 1996 to 2005, most of which was in the form of grants, humanitarian aid and debt-relief grants (Kudo 2007: 7).

The lowest point in relations between Myanmar and Japan came in September 2007 during the “Saffron Revolution”, protests against the SPDC led by Buddhist monks. A Japanese journalist, Nagai Kenji, who was taking pictures of the crowds of demonstrators, was shot dead by a
member of the Tatmadaw on a street in central Yangon. The SPDC claimed that he was killed by a stray bullet, but the incident was videotaped and broadcast around the world. It clearly showed Nagai being shot point blank by the soldier (Schoff 2014: 19, note 14). With the SPDC seemingly clinging tight to its hard line, a favourable resolution of Myanmar’s political crisis seemed farther away than ever.

Myanmar and Japanese Aid after 2011

Even in the post-junta period when it seems that the dead hand of military hardliners has at last been lifted from the country, Myanmar faces problems that sometimes seem insuperable. Decades of civil war, neglect and poor governance under Ne Win and the SLORC/SPDC have left the country in very poor shape. Recent statistics show that despite its relatively low average population density and abundance of natural resources, it is one of the poorest countries among the ten members of ASEAN: Its GDP per capita of 1,126 USD (2012) is only slightly higher than that of Cambodia (944 USD in 2012) and is exceeded by that of Laos (1,369 USD in 2012). According to figures published in the CIA World Factbook, 32.7 per cent of Myanmar’s population lives below the poverty line, compared to 20 per cent for Cambodia and 22 per cent for Laos. It would seem that renewed flows of aid from Japan can only be good news for the majority of the country’s struggling population.

However, the conventional approach to development, seeing it as solely an economic or technical problem while ignoring the political, social and historical contexts, poses the danger of causing more harm than good to local communities while exalting the goal of economic growth as a good in itself. Even in the economically most “successful” Asian states such as Singapore, South Korea and Japan itself, resolving social conflict has been a great challenge for governing elites, even if it has been less crippling internally in those countries than in Myanmar, given the latter’s history of war, civil war and social unrest since British colonial times, as described above. This suggests that while the “eco-

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12 United Nations (2014: 49, 50, 81, 82, 96). These figures have not been calculated with Purchasing Power Parity (PPP).

13 US Central Intelligence Agency (2015), online: <www.cia.gov> under the headings “Burma”, “Cambodia” and “Laos”. According to the World Factbook, Myanmar is listed as number 170 out of 230 countries and territories ranked by GDP per capita (4,800 USD at purchasing power parity); the only East or Southeast Asian countries with lower ranks are Cambodia (no. 183, 3,300 USD PPP) and North Korea (no. 208, 1,800 USD PPP).
nomics-before-politics” approach may be (to a limited extent) effective in small or ethnically and culturally homogeneous societies, especially those which idealize formal and hierarchical social structures (as East Asian, Confucian-based societies tend to do), it is of very limited usefulness in societies such as Myanmar’s – with a diverse range of ethnicities and strong religious values that frequently challenge the authority of the state.¹⁴

Unlike the United States and the European Union countries, Japan did not impose sanctions during the long SLORC/SPDC period. Through the method of “quiet dialogue” (Japanese: _shizuka na taiwa_), the government in Tokyo, especially the Ministry of Foreign Affairs, sought to persuade Myanmar’s generals to soften their approach to political opposition, especially regarding Daw Suu Kyi, and carry out economic reforms. As a Foreign Ministry spokesman described it in 2001, quiet dialogue was

>a position which places importance on human rights and democracy as a matter of course, but on the other hand, together with our fellow Asian countries, we prefer not to use sanctions, but to speak as friends. What are the expectations of the international community? What needs to be done for Myanmar to be accepted into the international community? These are things we are in a position to discuss quietly (Seekins 2007: 93).

“Quiet dialogue” made sense, especially when compared to the sanctions used by the United States and (to a lesser extent) other Western countries, which sometimes caused greater hardship to ordinary Myanmar people than to the Tatmadaw elite and their business cronies.¹⁵ Although critics claimed that this non-judgemental approach did little to soften the junta’s authoritarianism, “quiet dialogue” was strategically wise, placing Japan in a good position to take advantage of any favourable political

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¹⁴  Myanmar’s traditional political culture can be characterized in terms of an old proverb: “The five things a person must avoid are flood, fire, thieves, our personal enemies and _min_ (the king, or state).” In contrast, Confucianism in practice in East Asian states tended (or tends) to assume the benevolence of authority, whether state or parental. Even the supposedly revolutionary regime in China has reconciled itself to Confucianism, establishing “Confucius Institutes” worldwide to promote traditional Chinese culture.

¹⁵  For example, the Burmese Freedom and Democracy Act passed by the US Congress in 2003 in the wake of the Black Friday incident embargoed exports from Myanmar and reportedly led to the laying off of thousands of female textile workers, some of whom were so desperate they went into the sex industry (Seekins 2005: 442).
changes that might occur. In addition, Tokyo found other ways to protect its (potential) interests inside of Myanmar, including the activities undertaken by Japanese non-governmental organizations, especially the network of charities connected to the Sasagawa Peace Foundation; Myanmar’s inclusion in regional projects funded partially by Japan as well as the more prosperous ASEAN nations, especially the Greater Mekong Subregion scheme; and, the continuation of ODA in the form of grants, humanitarian aid, technical cooperation and debt relief, even though (as mentioned above) total allocations for Myanmar were at significantly reduced levels (Seekins 2007: 154).

These scaled-down or indirect types of engagement and the lack of formal sanctions helped Japan to very quickly restore its presence in the country after President U Thein Sein assumed office in March 2011. As Sean Turnell, an Australian economist with much experience in Myanmar, remarked the following year: “I’ve been somewhat astonished by the extent of the Japanese involvement and the alacrity with which they’ve moved” (Fuller 2012).

In the Japanese fiscal year 2012 (beginning on 1 April), Myanmar became the “top” recipient of Japanese ODA “for the first time ever”, displacing Vietnam, which had been in the number-one spot since 2009. Japan was Myanmar’s largest creditor (approximately 75 per cent of all foreign-debt obligations) and provided not only a bridge loan to resolve these obligations, but also 900 million USD to pay off debt owed by Myanmar to the World Bank and the Asian Development Bank (Nam Pan n.d.: i, 30, 31). This made Myanmar eligible to accept new loans – especially from Japan. However, the 2014 Annual Report of the Japan International Cooperation Agency (JICA) noted that in the previous year, 2013, the total value of its ODA (loan and grant) projects in Myanmar amounted to only 23 billion JPY, or 6 per cent of the total for the South-east Asian region.16 In other words, there is plenty of room for Japan’s aid presence to grow.

In FY2013–FY2014, Japan allocated new yen loans for projects inside the country for the first time in a quarter of a century. These were the:

- “Urgent Rehabilitation and Upgrade Project”, phase one (goal: improvement of provision of electric power to Yangon; amount: 14.05 billion JPY; date: June 2013);

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16 JICA 2014: 21. By comparison, Vietnam’s total of projects by value was 171 billion JPY and Indonesia’s 75.7 billion JPY.
“Regional Development Project for Poverty Reduction”, phase one (goal: provision of vital infrastructure such as roads, electricity and water supply; amount: 17 billion JPY; date: June 2013);

“Infrastructure Development Project in Thilawa Area”, phase one (goal: development of Thilawa SEZ, southeast of Yangon; amount: 20 billion JPY; date: June 2013);

“Yangon–Mandalay Railway Improvement Project”, phase one (goal: improvement of rail service between Myanmar’s two largest cities; amount: 20 billion JPY; date: September 2014);

“Infrastructure Development in Thilawa Area”, phase two (goal: development of roads in Thilawa SEZ; amount: 4.61 billion JPY; date: September 2014);

“Irrigation Development Project in Western Bago Region” (goal: irrigation and flood control; amount: 14.87 billion JPY; date: September 2014); and

“Greater Yangon Water Supply Improvement Project” (goal: water supply, sewerage and sanitation; amount: 23.68 billion JPY; date: September 2014) (JICA 2015b; Nam Pan n.d.: 28).

These new loans amounted to 114.22 billion JPY, or approximately 1.04 billion USD at an exchange rate of 110 JPY = 1 USD, a very large sum when compared with total aid allocations (grants, technical cooperation and loans) of 244.1 million USD in FY1986 and 259.6 million USD in FY1988, just before the SLORC junta came to power (Seekins (2007: 62–64, 67).

Tokyo’s liberality in allocating ODA funds to Myanmar reflects changed conditions not only inside Myanmar but also in Japan itself and in relations between Tokyo and Washington. With steadily warming Washington–Naypyidaw ties, actively promoted by President Barack Obama, “Myanmar friction” has become a thing of the past, removing a major barrier to fuller engagement by Tokyo. Moreover, the Liberal Democratic Party’s victory in the Japanese general election of December 2012 brought the right-wing, hawkish Abe Shinzo to power as prime minister. Along with being eager to make Japan a major regional power and commit the country to military operations abroad as an ally of the United States, Abe is son of the late Abe Shintaro and grandson of Prime Minister Kishi Nobusuke, both of whom were prominent members of a “Burma lobby” inside the ruling circles of the Liberal Democratic Party.
Japanese Aid to Myanmar: A Convergence of Interests

Although official development assistance is often surrounded by an aura of altruism, which donor governments usually promote to enhance their own images domestically and internationally, in actuality it is driven by the convergence of the interests (or self-interests) of diverse parties, in which the goal of benefitting ordinary people in the recipient country frequently plays a subordinate role. Unlike other interested parties, the local people most directly affected by aid projects generally are cut out of the process of planning and implementation, leaving them bystanders to decisions that in many cases will deeply change their lives.

Donor nations use ODA to increase their influence in recipient countries, which in the case of Myanmar has led to efforts by both Japan and the United States since 2011 to offset the major economic influence of China, part of a larger strategy to “contain” Beijing’s influence throughout East and Southeast Asia. During the SLORC/SPDC period, as aid flows from Japan and Western countries declined, the People’s Republic of China became Myanmar’s largest provider of aid and investment, as well as providing arms such as fighter aircraft, tanks and patrol boats to modernize the Tatmadaw (Steinberg 2001: 223–237). Since then, Myanmar has gradually emerged as a pawn in a new “great game” between China on one side and the United States and Japan on the other, causing the partial re-emergence of a “Cold War” power structure in which relations with smaller nations are conditioned by the “strategic” concerns of the bigger powers (Aung Zaw 2013). Should in the future a hardline group of Tatmadaw generals seize power and take the country back to the dark days of the SLORC/SPDC (a development that is plausible given the 2008 Constitution in its original and un-amended form), apprehensions concerning China’s “domination” of Myanmar might be a factor in persuading both Tokyo and Washington to continue providing aid and other forms of engagement even if serious human rights abuses occur – which no doubt would cause Daw Aung San Suu Kyi and her supporters to feel greatly disillusioned.

On the Myanmar side, Japan’s offering of new aid is much welcomed. Even before U Thein Sein became president, there was evidence that certain members of the Tatmadaw elite were uneasy about China’s growing influence inside the country. In 1992, an unsuccessful assassination attempt by lower-ranking officers against Lt. Gen. Khin Nyunt, the powerful and much-feared head of Military Intelligence, was apparently motivated by their perception that Khin Nyunt was making too many
concessions to China in the border areas, which was one of his areas of special responsibility before his ouster in 2004 (Seekins 2006: 253). The popularity of U Thein Sein’s 2011 decision to suspend construction of the China-financed Myitsone Dam project at the headwaters of the Ayeyarwady (Irrawaddy) River showed that the Chinese economic presence is widely resented by ordinary as well as elite Myanmar people. Another factor of major importance is the comparative terms of Chinese and Japanese loans: Chinese loans typically have high interest rates (4.5 per cent per annum), while JICA offers concessional loans with as low as 1 per cent interest (Eleven Myanmar 2015). In the words of a Malaysia-based researcher, the post-junta government opening up once again to Japanese aid is the result of “not so much an attraction to Japan as […] a revulsion against the Chinese” (Fuller 2012).

In recent years, visits by Myanmar’s and Japan’s top leaders have provided opportunities to solidify ties. President U Thein Sein visited Japan in April 2013 and December 2014, while Prime Minister Abe visited Myanmar in May 2013 and November 2014, when he attended the ASEAN Summit in Naypyidaw (Japanese Ministry of Foreign Affairs 2015).

Business interests inside Japan have always been zealous in promoting full engagement with whatever government is in power in Myanmar, and the expansion of aid allocations opens up significant new opportunities for Japanese companies in the “boomerang economy”, even if aid is not formally tied to Japanese firms. In Myanmar itself, the local business class, including (former) “crony capitalists” of the SLORC/SPDC, look forward to sharing in the profits provided by new aid projects.

However, the impact of expanded aid on Myanmar’s society and people is a matter of great sensitivity, given the country’s long history of conflict. In the past, the great majority of Japanese ODA projects were concentrated in central areas of the country where the ethnic-majority Bamars live (Seekins 2007: 69). However, Japanese interest in ethnic-minority areas, especially those where Karen and Mon people live (Karen and Mon States), has grown, and since 2011 Tokyo has expressed its willingness to play a major role in the development of these regions in southeast Myanmar.

One of the “three priority areas” for Japanese aid to Myanmar as defined by the Ministry of Foreign Affairs in 2015 is the “improvement

17 Among other issues, the large-scale immigration of Chinese citizens into Myanmar after 1988, mostly from neighbouring Yunnan Province, has stoked fears among Myanmar people of a Chinese fifth column. The exact number of Chinese migrants in the country is not known. Seekins 2006: 145.
of people’s livelihoods” – “including assistance for ethnic minorities and poverty groups as well as agricultural and rural development” (JICA 2015a). In a 2013 speech in Yangon, the president of the Japan International Cooperation Agency described this as “peace-building” and went on to say:

We believe that the key to internal peace is the regional poverty reduction and shared improvement in living standards. JICA is conducting a “Programme for Ethnic Minorities in Karen and Mon States”, a comprehensive approach including social infrastructure, industrial development, development of agriculture, enhancement of the administrative capacity, as well as development of economic infrastructure. If it proves successful, we will consider extending similar efforts to other regions. In addition, JICA expects Myanmar to accelerate sharply its efforts to remove deadly landmines, as their presence hinders development activities (JICA 2013).

Conclusion: Who Benefits from Japanese Aid?

With the possible exception of parts of Shan State, which became a major site of guerrilla clashes between different armed groups and forced relocation during both the Ne Win and SLORC/SPDC eras, no part of Myanmar has endured so much conflict over more than seven decades than Karen (Kayin) State. During World War II, the mountainous region near the Myanmar–Thailand border witnessed intense fighting between Japanese troops and Karen guerrillas loyal to the British. Following the Karen uprising in 1949 against the government of Prime Minister U Nu, this region came under the control of the Karen National Union (KNU) and its armed force, the Karen National Liberation Army (KNLA). Its commander, the late Saw Bo Mya, refused to sign a ceasefire with the SLORC/SPDC regime and was a stalwart supporter of united fronts among the ethnic armed groups and Bamar dissident students after 1988. The Tatmadaw could not defeat the strong and well-organized KNLA until the Democratic Karen Buddhist Army was established in 1994 and split away from the KNU, alleging that the Christian KNU leadership discriminated against Karen Buddhists. Thanks to the DKBA’s fifth-column activity, the well-fortified KNU headquarters of Manerplaw fell to the Myanmar army in January 1995, leaving the remaining KNLA forces in disarray. Karen communities found themselves the intensified targets of not only the Tatmadaw, but also attacks by the KNLA and the DKBA on villages loyal to one or the other of the two armed groups.
The fall of Manerplaw and its aftermath resulted in tens of thousands of new internally displaced people and new refugees in western Thailand. It is against this backdrop that the KNU agreed to an uneasy ceasefire in 2012.

In September 2014, the Karen Peace Support Network (KPSN), a group of nearly 30 Karen civil society organizations, published a paper, “Critique of Japan International Cooperation Agency’s Blueprint for Development in Southeastern Burma/Myanmar”, which warned that an economics-before-politics approach to development in ethnic-minority areas might exacerbate rather than resolve conflict. According to the report, major flaws in JICA’s development plan include working through established administrative institutions rather than recognizing the need to reform them to provide for genuine federal autonomy; failing to investigate the sources of conflict in Karen and Mon States and assuming that poverty rather than politics (or power inequalities) is the major factor in ethnic unrest; and failing to consult with local people, including women, refugees and internally displaced people, on JICA’s blueprint. The KPSN recommended that a moratorium on pilot projects related to the JICA scheme be initiated until this consultation process has been carried out thoroughly (Karen Peace Support Network 2014: 1–3).

Several of Japan’s aid projects for Myanmar display an ambition and scale that exceeds those of earlier infrastructure projects, including not only the development plan for Karen and Mon States but the Dawei (Tavoy) SEZ, a 60 billion USD project – a collaboration of Thai and Japanese public and private sectors located in still another ethnic-minority area (Tanintharyi [Tenasserim] Region) in southern Myanmar – and the Thilawa SEZ, located southeast of Yangon, which is already under construction and can now be considered the flagship of the Japanese aid presence in the country.

According to a 2014 report by the international NGO Physicians for Human Rights (PHR), during phase one of the development of the Thilawa project, which has converted farmland into sites for infrastructure and industry, former residents of the area responded in a survey that they were pressured to leave their land and were resettled in areas that were substandard in terms of access to cropland, water and basic facilities, including healthcare. The report states:

PHR found that the displacement process fell significantly short of meeting international guidelines, most notably because the residents felt threatened by the government with lawsuits and imprisonment if they did not move. Furthermore, the compensation al-
lotted to displaced persons was insufficient for them to maintain their livelihoods.18

Their standard of living turned out to be markedly worse after resettlement compared to before.

The report indicates that unless projects such as Thilawa proceed in a manner more cautious vis-à-vis the human and natural environment, the economic development of Myanmar will not be free of the old evil of land-grabbing, in this case to generate profits for both foreign and domestic companies.19

Apart from their large scale, what these projects have in common is the fact that if they are carried out successfully, the Myanmar government will have at its disposal considerable new resources, capacities and physical infrastructure that will enhance its control of sensitive ethnic-minority areas as well as the Bamar heartland. For example, in each of the three projects mentioned, highways will be constructed both inside Myanmar and linking Myanmar with Thailand. These could easily be used by the Tatmadaw to quell resistance by restive Karens or Mons.

Moreover, the projects rest on the assumption that economic development and rising standards of living will solve political problems, that in a newly industrialized and commercially viable economy, old social fractures will heal of themselves. In fact, experience has shown that the opposite is true: Economic development often brings greater social conflict. Hitherto remote Kachin State has experienced development, mostly in the form of the extraction of natural resources, over many years since the Kachin Independence Army signed a ceasefire with the SLORC in 1994. But fighting has broken out between the KIA and the army over the tensions caused by this development (Karen Peace Support Network 2014: 11, 12). The history of colonial Burma illustrates the same tragic outcome. In the eyes of the British colonialists and investors in London, Glasgow and Calcutta, the old Kingdom of Burma was woefully primitive and underdeveloped despite its treasure trove of natural resources. The British opened up practically every sector of the economy to commercial exploitation – including energy (oil), agriculture and

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18 Physicians for Human Rights and Mekong Watch 2014: 5. During phase one of the project, 68 households were resettled; the number for phase two is planned to be 846 households (Physicians for Human Rights and Mekong Watch 2014: 5).

19 At Thilawa, “the Japanese government and three Japanese companies partnered with the Burmese government and a consortium of Burmese companies to develop phase one of the site” (Physicians for Human Rights and Mekong Watch 2014: 5).
minerals – but social conflict intensified even before Japanese troops breached Burma’s borders in early 1942.

Without a political resolution to Myanmar’s many social conflicts, including the establishment of genuinely open political institutions, the large-scale, “economics-first” aid of Japan and other countries is likely to hinder rather than promote the country’s development into a truly democratic and developed country.

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