

Myanmar-Japan Economic Relations (1988-2015)

Swe Swe Win*

Abstract

Democratization has progressed in Myanmar since the transfer of government to civil administration in March 2011, and the country is steadily forging stronger ties with the international community. In order to support democratization and structural reforms of Myanmar through economic development, there is an urgent necessity for social and industrial infrastructure development in Myanmar, which promotes her growth and links with neighboring countries. Japan would contribute to investments in infrastructure and eventually to Myanmar's economic development, which is indispensable for sustainable growth throughout Asia. Japan should further encourage these efforts and promote concrete economic cooperation with Myanmar looking ahead to the ASEAN economic integration schedule for 2015. There is a particularly urgent need for core infrastructure development within Myanmar to support industry and for region wide infrastructure projects to build links with neighboring countries. It is important for Japan to promote economic activities leveraging Myanmar's potential through such projects and actively contribute to the purpose of this paper is to examine the development and changes in Myanmar -Japan relations from the view point of historical, political, diplomatic and economic areas particularly with special reference to Japan's official development assistance (ODA) to Myanmar.

Introduction

Myanmar and Japan have also had strong ties in the post- World War II period, often referred to as a "special relationship," or a "historical friendly relationship." That relationship was established through the personal experiences and sentiments of General Ne Win and others in the military and political elite of independent Myanmar. General Aung San, General Ne Win and other leaders of Myanmar's independence movement were members of the "Thirty Comrades," who educated and trained by Japanese army officers in the 1960s and 1970s while General Ne Win visited Japan several times. Four Japanese prime ministers Kishi, Shintaro Abe, Watanabe Michio, and Yoshiko Yamaguchi, officially visited Myanmar in the 1960s and 1970s. By late 1987 Myanmar was bankrupt of foreign exchange, with the collapse of its official economy. The beginning of Japan's role in forcing Myanmar to economic reform was in late 1987, a year before the present military regime was in power. Soon after the Myanmar's military regime seized into power by suppressing the pro-democratic movement and established the State Law and Order Restoration Council (SLORC) on September 18, 1988, followed by the abolishment of all "Organs of State Power" that were formed under the 1974 Myanmar's Constitution. Since then the conditions for Japanese policy towards the country were more complicated and affected particularly by the pressure of international community. Japan has bonded a long relationship with Myanmar since World War II. It had asserted both constructive and distrustful feeling to the Myanmar's society¹.

However, the relations between Myanmar and Japan's have developed in contrast to one another since 1998, when the State Law and Order Restoration Council (SLORC) later re-constituted as the State Peace and Development Council (SPDC) took power by military coup. The military government in Myanmar has improved and strengthened but their relationship with Japan has worsened and cooled. The personal ties between the national leaders of independent Myanmar and Japanese army officers were certainly instrumental in the formation of favorable bilateral relations between the two countries, in particular during (1962-1988). Both the governments of Myanmar and Japan provided to reinforce functions and

* Lecturer, Department of International Relations, Yadanabon University

¹ Suppakarn, Pongyalar: The Implications of Japanese Engagement Policy towards Myanmar: 1988-Present, Nagoya University, Nagoya, Japan, October 2007. p.4

schemes of Japan's economic cooperation and to create framework for economic exchange between two countries. As for economic co-operation, the following measures are required:(1)swift resumption of yen loans, which is currently suspended for a new round and promotion of large- scale infrastructure,(2) implementation of investment and loan from Japan Bank for International Cooperation (JBIC), (3)human resource development and business climate improvement through ODA, and (4)steady implementation and flexible operation of the expanded trade insurance announced in January this year by Nippon Export and Investment Insurance (NEXI).Japan has been the only country which has bonded deep and longtime relations with Myanmar through the provision of war reparations and the Official Development Assistance (ODA) since 1955 and 1968.Japan has been the major aid supporter to the Myanmar government¹.

Foreign investment into the country surged to a record high US\$ 6 billion in the fiscal 2005-2006 year that ended in March, up from \$ 158.3 million recorded the previous years, according to recently released Myanmar official statistics. Myanmar's total trade also hit a record high of \$ 5.5 billion over the same period, surging 27% year on year and handing the junta a rare trade surplus of \$ 1.6 billion. Bilateral trade was on pace to expand even faster in 2006 to more than \$ 7 billion as the Junta cashes in on high global energy prices. Japanese interests in Myanmar are never ambiguous that Minister of International Trade and Industry (MITI) established a working group on cooperation for industrialization at the third ASEAN-MITI Economic Ministers' Meeting in 1994. The main objective of the working group was to formulate appropriate work programs to assist the development of Myanmar and to enhance economic linkages between Japan and ASEAN countries. The purpose of this paper is to examine the development and changes in Myanmar – Japan relations from the view point of historical, political, diplomatic and economic areas particularly with special reference to Japan's official development assistance (ODA) to Myanmar. In reality, huge ODA provided by the Japanese government to Myanmar cemented this special relationship, which was based on the personal sentiments of political elites in the two countries. ODA played a leading role in both the economic and diplomatic relationship between the two countries².

Japanese ODA to Myanmar

Japanese economic assistance to Myanmar began in the form of war reparations in 1955. Japan provided for the first time a loan of 10.8 billion yen, as more genuine economic assistance in 1968. Japan's ODA to Myanmar rapidly increased from the latter half of the 1970s.It is widely believed that without such huge aid the Myanmar regime could not have survived the several economic crises of the 1970s and 1980s. Japan's ODA accounted for 66.7% of the total bilateral ODA received by Myanmar between 1976 and 1990. Myanmar had also long been one of the largest recipients of Japanese ODA, consistently ranked within the top ten recipients and often ranked within the top five. Between 1978 and 1988, Myanmar received US\$, 712.3 million in assistance, a sum equivalent to 15.1% of Myanmar's total imports for the same period. To understand the rationale of Japan's policy and policy implementation towards Myanmar, one may have to investigate the courses of relating factors including the projection of Japan's international political and diplomatic position. Otherwise, Japanese policy towards Myanmar often appears to be criticized simply as ambiguous as well as inconsistent³.

¹ Kudo, Toshihiro: Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, August 2007.p.139-177

² Economy of Brma, <<http://.mmtimes.com/2010/business/549/biz>>

³ Kudo, Toshihiro : Political Basis of Economic Policies under Burmese Socialism, Southeast Asian Studies, No.4, Tokyo University of Foreign Studies, 1998.p.199-209

The new international and regional reality was responsible for such events as changes in Japan's ODA policy, Myanmar's open-door policy, strengthened economic ties with its neighbors and China's emergence as a donor. Japan also started to change its ODA policy. In 1992 Japan adopted its first ODA charter, which placed a greater emphasis on human rights and democracy. The suspension of Japanese ODA to Myanmar was one of the earliest applications of the ODA Charter¹.

All of these events that occurred in the new international political landscape eventually impaired the special relationship between Myanmar and Japan. Japanese aid was provided to Myanmar at an average annual amount of US\$ 154.8 million for the period from 1978 to 1988. The average annual amount of Japanese aid declined to US\$ 86.6 million for the period from 1989 to 1995, and further to 36.7 million for the period from 1996 to 2005. The first event that weakened relations between Myanmar and Japan was Japan's suspension of ODA. Since Japan had been by far the largest donor during the socialist period, the suspension of Japanese aid had also by far the most serious impact on the Myanmar government and its economy. The Japanese government did not have freedom to act independently and had no choice but to suspend its ODA provision to Myanmar under pressure from its Western allies, in particular the United States, which had persistently opposed any measures that appeared to benefit the military government. Whenever the Japanese government tried to send a positive message to the Myanmar military government by a partial resumption of ODA, such an effort was often interrupted by the United States, rendering it ineffective².

The ODA Charter was first approved by Japan's Cabinet in 1992, stating that ODA shall be provided in accordance with the principles of the United Nations (especially sovereign equality and non-intervention in domestic matters), as well as a) environmental conservation, b) avoidance of military usage of ODA funds, c) attention to the recipients' military expenditures and production and export/import of arms and weapons and d) consideration of recipients' democratization, basic human rights and market economy. The suspension of Japanese ODA to Myanmar was one of the earliest applications of the ODA Charter. Japan suspended the ODA provision to Myanmar of its own accord, based on the new policy. The military government in Myanmar, which was ignorant of Japan's policy shift, must have hardly comprehended in the early days why Japan would not resume aid to Myanmar. In fact, so far as human rights conditions in Myanmar were concerned, the actual situation may not have significantly deteriorated following the military coup, although this is arguable. The military's atrocities against the minority insurgencies were even more dreadful before the State Law and Order Restoration Council (SLORC) initiated the ethnic ceasefire policy in 1989. What had changed more than the actual human rights conditions in Myanmar were the international and Japan's criteria on human rights. Thus, the "special relationship" between Myanmar and Japan was replaced by a more basic principle based on the so-called universal values. At the same time, in reality, the suspension of ODA meant that the Japanese government lost one of its most effective diplomatic tools toward Myanmar. The bilateral relations between Myanmar and the Japanese seem to have currently reached an all-time low for the last five decades³.

Furthermore, not only political and diplomatic relations but also economic ties have become relatively weaker since 1988. The provision of Japanese ODA had cemented the close ties between General Ne Win and the Japanese government throughout the socialist period.

¹ Kudo, Toshihiro :Political Basis of Economic Policies under Burmese Socialism, Southeast Asian Studies, No.4, Tokyo University of Foreign Studies, 1998.p.16

² Kudo, Toshihiro :Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, August 2007.p.118

³ Kudo, Toshihiro :Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, August 2007.p.199-209

The first section reviews the history of relations between the two countries in the post World War II period with special reference to Japan's official development assistance (ODA) provided to Myanmar. The second section reviews the new international and regional reality surrounding Myanmar. The third section examines four events and or factors that resulted in an estrangement of the relationship between the two countries. The four events include changes in Japanese ODA policy, Myanmar's open door policy and the attendant regionalization of trade. Japan's relations with Myanmar which is often seen as pro-engagement, surprisingly, Japanese trade and investment there is minuscule. Under the Official Development Assistance (ODA) program, Japan is the largest aid donor, on the other hand, it falls short in having normal economic relations with Myanmar. In March 1988 Japan, who had provided some cumulative of \$2.2 billion in economic aid package since the 1954 peace treaty and reparations agreement, was upset by Myanmar's economic mismanagement. It quietly but officially protested the Myanmar government that unless significant economic policy reforms were made, Japan would have to reconsider its economic relations with Myanmar¹.

On January 25 1989, the SLORC as a pressure group had submitted a petition to the prime minister, requesting normalization and a resumption of aid flows. The petition emphasized that Japanese companies were liable to sustain huge losses on procurement of goods and services if ODA remained frozen and they were afraid that other countries particularly China would step into the economic void created by the Japanese absence. The petition also pointed out that non-recognition of SLORC would make it impossible for Myanmar to send an official representative to the funeral of the Showa Emperor Hirohito on February 24, 1989. Finally, Japanese government decided to invite a cabinet member of SLORC to the funeral ceremony and resumed partial ODA to Myanmar. The association, funded by MOFA, has also functioned as a research think-tank on Myanmar to Japanese public and private sectors. To accomplish Japanese goals of its national interests and business opportunities in foreign countries; Japanese government-business alliance has played strong roles in Myanmar-Japan relations².

The ODA program has been mainly in form of grants and technical assistance and loans that were identified as not parts of any "new" deals, including debt relief. By Japanese government's interpretation, Japan's suspension of "new" grant and technical assistance could be by and large similar to the ban on "new" investment in Myanmar that the US imposed on American registered companies in 1997. In this period Japanese government changed its ODA strategy from "infrastructure" development to "grassroots grant assistance": grants to NGOs and grants for human resources development directly to the regime. However, on June 24, 2003, Prime Minister Junichiro Koizumi mentioned on Japanese aid to Myanmar that Japan's policy on Myanmar was necessary different from the policy taken by the US and EU. The Japanese MOFA also showed its discomfort about the suspension of "new" ODA and urged Myanmar to lessen international criticism by hurriedly resolving the situation in order to be able to resume normal bilateral relations ("Ministry of Foreign Affairs, Japan's Official Development Assistance White Paper. It would mean that Japan had its own course of policy formulation which matched or harmonized with its national interests. Debt relief, macroeconomic and other government policy advice, and development aid from Japan and other government have all been valuable contributions to Myanmar's transition, but they are

¹ Asia times, in <http://www.atimes.com/atimes/Southeast Asia.html>, November 28, 2006.p.1-2

² Kudo, Toshihiro :Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, 1993J,p.79

just one part of international engagement with Myanmar and not the largest part . Net official development assistance and official aid received by Myanmar in 2012¹.

Trade between Myanmar and Japan

Since the rapid change in the international society and the transformation of Asia ever since the end of the Cold War, Japan's interests towards Myanmar have been not only as a supply base of natural resources, cheap and qualified labor forces and a future economic potential market but also an increasingly important avenue to counterbalance the Chinese expanding power into the region and the future economic integration of Southeast Asia and South Asia through Asian highway projects. Because of the strategic location of Myanmar, and its membership in ASEAN, Myanmar became one of the most important frontier of Japan's diplomatic strategy to serve its national interests. To increase investment from Japan, rather than waiting for the conclusion of an investment agreement, key measures including the abolition of remittance regulations to other countries, import/export licensing, and export-first policies that limit imports to the value of foreign currency earned through exports should be Japanese interests in Myanmar are never ambiguous that Minister of International Trade and Industry (MITI) established a working group on cooperation for industrialization at the third ASEAN-MITI Economic Ministers' Meeting in 1994. The main objective of the working group was to formulate appropriate work programs to assist the development of Myanmar and to enhance economic linkages between Japan and ASEAN countries. It is noted here that the acceleration on cooperation and partnership in economic development with ASEAN during this period is one of the Japanese diplomatic maneuvers to employ ASEAN as a platform for protecting Japanese interests and giving its legitimate involvement with the Myanmar military regime .In the other words, Japanese strategy is that its engagement policy towards Myanmar would be driven by consensus of ASEAN could be seen as the attempt for mutual interest gains through engagement policy, the counterbalance against the pressure of the Western countries and Chinese influence in Myanmar².

The birth of the military government in Myanmar and the Japanese response to it apparently marked a watershed in their relations. Japan was then believed to be the only country that possessed sufficient meaningful influence on Myanmar to encourage a move toward national reconciliation between the newly born military government and the opposition party led by DawAung San SuuKyi. Bilateral trade was on pace to expand even faster in 2006 to more than US \$ 7 billion as the junta cashes in on high global energy prices. Japan's blossoming business-based relations with Myanmar meant that Tokyo can push back against Beijing, in the Southeast Asia nations that until recently was increasingly looking like a Chinese satellite state³.

The Government of Japan neither encourages nor discourages Japanese business activities in the country, but the government briefs business organizations from time to time on the political and economic situation in Myanmar and international opinion regarding the country. It should be noted that the Japanese government places no constraints on investment in or trade with Myanmar and there is no pressure from corporate shareholders and lawsuits like American companies. In fact, Japanese business companies in Myanmar has been decreasing partly due to the US threat of boycotts and embargo towards the Myanmar military regime, which presents some unique challenges for their Myanmar opportunity and partly because of Myanmar government's inconsistent investment policy. Thus Japan's trade and

¹ Ministry of Foreign Affairs, Japan's Official Development Assistance White Paper", <<http://web-japan.org/stat/stats/23ODA34.html>.accessed on February 26, 2007, p.10>

² Sueo Sudo, 2002, P.74-77

³ Kudo, Toshihiro: Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, August 2007.p.16

investment volumes were minimal comparing to ASEAN countries, some European countries and even the US. Accordingly, the Japan External Trade Relations organization opened a business support center in Yangon in September 2012 to promote Japanese investment and interest has been high. As many as one thousand Japanese business visitors flow through the office and support center in a month¹.

Today, Myanmar-Japan trade is poised to diversify in content and direction, as long as political stability is maintained and progress continues on development of the Thilawa Special Economic Zone and associated infrastructure. The main bottleneck, of course, remains Myanmar's ability to absorb this influx productivity, which means that some of the onus rests with foreign investors to resist short-term profit maximization and exploitation in favor of building local capacity for the long term².

Myanmar economic cooperation with Japan aims to spread the dividends of democratization, national reconciliation and economic reforms to the people of Myanmar. The first category includes support for ethnic minorities, agricultural technologies, disaster prevention, health-care facilities, and infrastructure development for citizen needs. Japan places a high priority on national reconciliation and tailors its support in ethnic areas to help this cause. The second involves a significant amount of training, technical assistance, and human exchanges to foster capacity building while the third is aimed at large-scale transportation, water and energy infrastructure including the Yangon Thilawa Development Initiative.

Japanese Investment in Myanmar

Enhancing the Japanese Government's Support Scheme; in the swift resumption of yen loans, to help achieve sustainable growth in Myanmar and Asia as a whole, Japan should resume yen loans and support large-scale infrastructure development in Myanmar. Specially, given Myanmar's important position to enhance regional connectivity in the Southern Economic Corridor (Dawei- Ho Chi Minh) and the East- West Economic Corridor (Mawlamyine - Danng) there is an urgent need for electricity, port, road, railway, water supply and sewerage, and telecommunications and IT projects in Myanmar. There are high hopes that Japan will undertake projects in the Thilawa and Dawei Special Economic Zones, and the public and private sectors must work together to steadily achieve this goal. In addition, it is also in required to use yen loans in a speedy manner to promote cooperation in the field of energy and natural resources¹. The government of Myanmar has indicated that such projects should be utilize environmentally responsible technologies and equipment, and Japan needs to be proactive in meeting this requirement³.

Japan Bank for International Cooperation (JBIC) investments and loans; in addition to yen loans, JBIC investments and loans are an effective means of providing prompt financing on competitive terms to advance the infrastructure projects mentioned above, and we request that JBIC respond positively to this need. Enhanced technical cooperation for human resource development and institutional improvement; Myanmar's excellent, low-cost workforce makes the country an appealing destination for investment by Japanese companies. Improvement of custom, immigration control and other systems is also crucial to induce investment, and Japan should offer technical cooperation in this area. Steady implementation and flexible operation of enhanced trade and investment insurance; with a view to invigorating economic exchange, we welcome the enhancement of shot- to medium/long-range plans for trade and investment

¹ Economy of Burma-Wikipedia, the free encyclopedia.htm

² Ibid.

³ Economy of Burma-Wikipedia, the free encyclopedia.htm

insurance for Myanmar launched by Nippon Export and Investment Insurance (NEXI) in January 2013⁴.

Japan continued its surprising visit to Myanmar by its high-ranking official again when Takashi Fukaya of MITI attended a regional conference in Myanmar in May 2000. This visit is recorded as the first Japanese cabinet minister to visit Myanmar since the 1988 uprising. This time Japan announced \$ US 500 million assistance package to the regime to develop its human resources and nurture small and medium-size firms as it made the transition to a market economy. It was criticized that MITI chief made this visit in order to help approximately 90 Japanese business companies operating in Myanmar but had faced difficulties in government's regulations, corruptions, foreign sanctions and consumer boycotts in the West. With the mentioned dynamic of Japan's Myanmar policy, it is without doubt that Japan and Myanmar was getting closer in diplomatic and economic affairs during and after the Obuchi Administration². In order to accomplish its national interests, Japanese government has long shown a tendency to allow home-grown trans-national companies to conduct business with authoritarian regimes. Japan has more often avoided establishing a direct link between political ideology and economic exchange¹.

Moreover, Frameworks for creating a favorable business environment between Myanmar and Japan; to support the creation of a favorable business environment in Myanmar, it would be effective to establish frameworks where both public and private sector representatives from Japan and Myanmar draw up a joint action plan to address issues raised by the business community, promote their implementation, and evaluate the results. Japan will lend Myanmar US\$ 504 million and will cancel \$1.74 billion of Myanmar debt as part of a series of weekend deals that included a pledge to push development of a proposed port and commercial zone at Thilawa, a half-hour drive from downtown Yangon, Myanmar's commercial capital. Making the first visit by a Japanese prime minister since 1977, Shinzo Abe arrived on Friday and spent three days in Myanmar. He led a 40-strong business delegation that included heads of some of Japan's biggest companies - another signal that Asia's second-biggest economy wants a lead role in Myanmar's fast-opening economy. Over the past year, Myanmar President TheinSein and National League Democracy (NLD) leader DawAung San SuuKyi visited Japan, while Abe's Finance Minister Taro Aso was in Myanmar in January. Key to Japan's growing engagement with Myanmar is the proposed Thilawa Special Economic Zone, a 2400- hectare site likely to include manufacturing and textile operations, says Masaki Takahara, director of JETRO, Japan's overseas trade mission in Yangon. It will be operational by early 2015³. Therefore, as a result of Myanmar's policy change, Japan provided increasing investment in Myanmar day by day².

Foreign investment into the country surged to a record high US\$ 6 billion in the fiscal 2005-2006 year that ended in March, up from \$ 158.3 million recorded the previous year, according to recently released Myanmar official statistics. The Thilawa SEZ is one of three large- scale industrial zones planned for Myanmar in the coming years, with the others slated for Madaya Island and Kyaukphyu in Arakan State - the starting point for oil and gas pipelines that will cut across Myanmar into China's Yunnan province, and in Dawei/Tavoy in Myanmar's South. However, Japan's and Myanmar's focus on the Thilawa project has likely increased concerns in Thailand about Dawei, an US \$8 billion project for which Thailand is

⁴ Saia Pacific Risk Watch, <www.controlrisks.com/webcasts/studio/asia-risk-watch/.../art-on.html>p.24

¹ Sueo Sudo: *The International Relations of Japan and South East Asia: forging a New Regionalism*, London and New York, 2002, p.74-77

² *Economy of Burma-Wikipedia, the free encyclopedia.htm*, p.10

seeking large-scale Japanese and other private foreign funders⁴. In order to accomplish its national interests, Japanese government has allowed conducting investment with Myanmar economic exchange¹.

Taro Aso, Japan's finance minister, said that Myanmar has very big potential. It is intention to support its development by private-public partnership. Aso visited Thilawa, a US \$ 12.6 billion, 2,400 hectare special economic zone and centerpiece of Myanmar- Japan relations. Mitsubishi Corporation, Marubeni Corporation and Sumitomo Corporation from the Japanese side of the joint venture developing the industrial park. The plan is to build the first 400 hectares by 2015 and start luring Japanese and global manufactures. Aso confirmed during the visit that Tokyo would waive part of Myanmar's 500 billion yen (US \$5.74 billion) debt and make a fresh loan of 50 billion yen, partly to kick- start construction of Thilawa. The Myanmar side has thanked us for waiving their debts many times. This will serve as a first step in boosting Myanmar's economic development. Myanmar is still re- working its laws governing special economic zones after passing new foreign direct investment laws last year.⁵ Regional Affairs>Asia and oceania With the help of Japan and its technology, New Economic Development will create employments. Japan is also investing in an economic zone in Dawei, on Myanmar's Southern peninsula, where the largest industrial complex in Southeast Asia is one of the drawing board².

However, Japan's blossoming business-based relations with Myanmar mean that Tokyo can push back against Beijing, in the Southeast Asian nation that until recently was increasingly looking like a Chinese satellite state. Japan has a potential to play a decisive role in determining the regional balance of power in Myanmar affairs. Japan's cooperation particularly with ASEAN would be essential tasks to bring Myanmar into the international and regional economic interdependent networks. The open-up of the country's economic system would directly be beneficial to Myanmar and would gradually help ease political development in the country. Increasing economic stability in Myanmar is in line with ASEAN (as well as China) interests not only in ensuring regional stability but also regional economic activities and prosperity. To accomplish Japanese goals of its national interests and business opportunities in foreign countries, Japanese government-business alliance has played strong roles in Myanmar-Japan relations. This would also leave the door open for Japan to develop its ties with Myanmar as Japanese mediating role would help reduce the scale of China's increasing influence in the region and also the US would need strategic cooperation with Japan to balance Chinese economic and political strength in the near future. The Japanese government is trying to encourage its companies to invest in Myanmar to benefit the Japanese economy, foster sustainable reform in Myanmar, and enhance Japan's influence along China's periphery. According to research conducted by Japan Bank of International cooperation in 2012, Japanese private investment in Myanmar is hindered by a lack of infrastructure, business-friendly environment including legal structure, and bilateral investment treaty.⁶These findings were then reflected in Japan's ODA strategy in Myanmar.

Myanmar and Japan signed investments-treaty in December 2013 that facilitated an increase in Japanese investment for infrastructure related projects, including a hydropower plant by Marubeni air transportation and related technology by Sumitomo, NEC, and Toshiba; a water supply project by Kubota; and a steel production joint venture between JFE Steel and Myanmar's Ministry of construction. Japanese auto manufacturer Nissan plans to invest up to

¹ Economy of Burma<<http://mmtimes.com/2010/business/549/biz>>

² www.Keidanren.org.jp>...> Regional Affairs> Asia and Oceania

US \$ 200 million for a new factory in the Bago Region.⁷Textile, auto parts, and other light industry all have potential for trade between Myanmar and Japan and this is drawing in the service industry, including finance, insurance, legal, and other consulting service⁸.

Advantages and disadvantages

Advantages include employment abundant, investment will increase trade will become even better. Also, industrial production in the country improved, through service firm are higher than the country's economy will be increased to a considerable extent. Tax exempt parts firm hired land ownership laws, other laws that investment, investor companies will benefit. Effects SEZs visit by investor to built factories in the respective visit effect SEZs investor to built factories atmosphere by applicable Law, soil damage, Environmental Impact. Environmental Lasting threatened interface, Land ownership disputes arising between companies the government and local interface. Also it can increase those working in immigration Rapid urbanization. In addition to immigration and related problems, it could also request an increase in prostitution and sex worker can increase sexual infections. Labour Law, Labour and human right violations are still possible. Myanmar is also being constructed with special tax of three special economic zones. Thilawa, Marble, Dawei SEZ VIZ all three can become a regional hub located in the port and the sea. Thilawa SEZ near Yangon six thousand two hundred acres wide and Located praised and kyauktan. Japan's investment consists mainly across 2016 are expected to complete the first phase. Marble nearly four thousand acres wide. The mainly of China's investment is associated with gas. Dawei SEZ located in Tanintharyi coast working. After finishing all industrial and commercial focus of the Dawei SEZ has becomes Southeast Asian's largest Industrial zones. The production in three addition to special economic zones aimed at six trade in the free trade zone there are also bringing in our country. This can prove Thilawa port, Mawlamyine, Myawaddy, Marble and PyinOoLwin, Hpann VIZ.

In summary, I would say a SEZ are clearly of a developing nation would be able to implement a degree of business will be able to pull many need to do to accomplish this work. This successfully run the build Electrical supply many need. Ensure the distribution of goods requires a lot of bridges and ports many need. Foreign Direct Investment (FDI) able to attract foreign investments laws clearly needed our political need a lot of stability. More over, the work doesn't harm the environment sustainable growth will be less affected, as well as to the benefit of local service must⁹. So, Myanmar in SEZs to prepare provisions to carry out nation's economy will probably increase.

⁸ Toshihiro, Kudo: Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, August 2007.

Conclusion

Japan has had dilemma in achieving its economic interests in Myanmar. In late 1988 the association membership included presidents and chairmen of board of 14 Japanese largest companies, including general trading and construction companies who served as the association's trustees and 36 corporate members but as of July 2007, its members decreased to around 20. As the largest trading partners and security alliance with the US, it is with no surprise for Japan to strictly impose its self-restriction on normal trade and investment relations there to protect its ultimate national interests while piping its unending connection with the country through ODA scheme. However, Japan's blossoming business-based relations with Myanmar mean that Tokyo can push back against Beijing, in the Southeast Asian nation that until recently was increasingly looking like a Chinese satellite state. Japan has a potential to play a decisive role in determining the regional balance of power in Myanmar affairs. Japan's cooperation particularly with ASEAN would be essential tasks to bring Myanmar into the international and regional economic interdependent networks. The open-up of the country's economic system would directly be beneficial to Myanmar and would gradually help ease political development in the country. Increasing economic stability in Myanmar is in line with ASEAN (as well as China) interests not only in ensuring regional stability but also regional economic activities and prosperity. To accomplish Japanese goals of its national interests and business opportunities in foreign countries, Japanese government-business alliance has played strong roles in Myanmar-Japan relations. This would also leave the door open for Japan to develop its ties with Myanmar as Japanese mediating role would help reduce the scale of China's increasing influence in the region and also the US would need strategic cooperation with Japan to balance Chinese economic and political strength in the near future.

Acknowledgements

I am very much indebted to Dr. Maung Maung Naing, Rector, Dr. Si Si Khin and Dr. Tint Moe Thuzar Pro-rectors, Yadanabon University. for their permission to do this research. I would like to express my deep gratitude to the following persons because without whose invaluable help, it would have been impossible for her in writing this paper. My heartfelt thanks go to Dr. Aye Myint Oo (Professor and Head, International Relations Department, Yadanabon University). Dr. Thin Thin Aye (Professor, International Relations Department, Yadanabon University) and Dr. Moe Yin Yin (Professor, International Relations Department, Yadanabon University) for their invaluable scholarly, professional and technical advice and erudite discussion.

Bibliography

- HyKudo, Toshihiro : China and Economic Relations with Myanmar: Tokyo University of Foreign Studies ,1998.
- Kudo, Toshihiro : Political Basis of Economic Policies under Burmese Socialism, Southeast Asian Studies, No.4, Tokyo University of Foreign Studies, 1998.
- Kudo, Toshihiro: Myanmar and Japan: How Close Friends Become Estranged, Tokyo University of Foreign Studies, August 2007.
- Sueo Sudo : The International Relations of Japan and South East Asia : Forging a New Regionalism, London and New York, 2002.
- Suppakarn, Pongyular :The Implications of Japanese Engagement Policy towards Myanmar: 1988-Present, Nagoya University, Nagoya, Japan, October 2007.
- Asia pacific Risk Watch, www. Control risks. con/ webasts/ Studio/asia-risk-watch/.../art-on.html>
- Economy of Burma – Wikipedia, the free encyclopedia.htm
- Asia Times, in <http://www.atimes.com/atimes/Southeast Asia.html>, November 28, 2006.

Ministry of Foreign Affairs, Japan's Official Development Assistance White Paper
<<http://web-japan.org/stat/stats/23ODA34.html>> accessed on February 26,
2007>

Ministry of Foreign Affairs, Japan's Official Development Assistance White Paper<[http://
www.mofa.go.jp/policy/oda/reform/charter.html](http://www.mofa.go.jp/policy/oda/reform/charter.html)>
<www.keidanren.or.jp>...>Regional Affair>Asia and oceania.