

The Importance of Japanese ODA in Myanmar's Reform

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Abstract

After the World War II, Myanmar received support from several foreign governments. In November 1954, Myanmar signed a peace treaty with Japan for both normalized diplomatic relations. Japan committed to provide war reparations to Myanmar. And also, According to Japan's 1992 Official Development Assistance (ODA) Charter, Japan pledged Myanmar to provide foreign aid. In 2011, the political and economic transition initiated by the USDP government brought significant change to Myanmar's aid landscape. The USDP government headed by President U Thein Sein welcomed support from the international community in pursuit of development and modernization. In order to increase political and economic power in Myanmar, Japan made friendly relations with Myanmar. After the liberalization process began in 2011, Japan resumed its ODA towards Myanmar with a prospect to set its base firmly in the country. Therefore, this paper analyzes why Japanese ODA was important in Myanmar's reform. This paper discusses for the eight years between 2011 and 2019 in Myanmar.

Keywords: Myanmar, Japanese ODA, Support Myanmar's Reform

Introduction

The Japanese government joined the association of foreign aid donors by participating in the Colombo Plan in 1954. In 1954, Japan also concluded the Japan-Myanmar Peace Treaty and Agreement on Reparation of Economic Cooperation with Myanmar and it was the first case of reparations payments to Asian countries. In 1989, Japan became the largest ODA donor in the world. Along with this dramatic economic growth, Japan expanded its ODA amount. On June 30, 1992, the first Japan's ODA Charter was adopted by the Japanese government. Although Japan provided ODA, Japan did not intervene in domestic affairs and sovereignty of the other countries in accordance with the principle of the United Nations (UN) Charter.¹ Moreover, in 1999, the Medium-Term Policy based on the ODA Charter, was set down by the Japanese government with a five-year time frame. It sets poverty reduction is the main objective of development assistance by promoting economic growth.² Under the Charter and Medium-Term policy, Japan sets out assistance plans for specific countries and initiative for priority sectors.

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¹ Japan's Official Development Assistant Charter, [Japan: Ministry of Foreign Affairs of Japan, 1992], <https://www.mofa.go.jp/policy/oda/summary/1999/ref1.html>

² Japan's Medium-Term Policy on Official Development Assistance (ODA), [Japan: Ministry of Foreign Affairs, 1999], <https://www.mofa.go.jp/policy/oda/mid-term/1999/index.html>

On 29 August 2003, the Japanese government has revised the Charter to address new development challenges. Thus, Japan's ODA has been used as an important diplomatic tool since its war reparation period. For this, because of its close historical, geographical, political and economic links, a large share of Japan's ODA have been directed toward Asian countries allocating in the field of economic infrastructure to improve the environment for investment by foreign capitals and promoting their export industries.³ Japan's foreign aid has managed to provide a solid economic base for Asian countries, particularly in Southeast Asia.

Background Situation of Japanese ODA in Myanmar

Since the 1988 uprising and 1990 election in Myanmar, foreign government and international organizations have promoted democratization as the solution to the country's manifold problems, including ethnic conflict, endemic social instability, and general underdevelopment. Among the major industrial nations, Japan alone has sustained a continuous dialogue with Myanmar government as well as with National League for Democracy (NLD), the opposition party at that time. The main objective of Japan's policy was to promote democratization and economic development in Myanmar, but the issue of minorities is also high on its agenda. Japan has consistently emphasized dialogue as the way to break the political stalemate in Myanmar, whereas the US and EU have opted for strong sanctions.⁴ After 1988, although Japan cut off ODA to Myanmar especially for loan aid, it provided funds for humanitarian purposes and technical cooperation by granting aid.

Japan's New Aid on Myanmar's Reform

Since 2010, Myanmar government has formulated an ambitious economic, political and governance reform programs. It has begun a series of reforms to remove economic distortions. The new administration of Myanmar, which was formed in March 2011, was furthering reforms toward democratization and national reconciliation. Under the leadership of President U Thein Sein, Myanmar has also taken political, economic and social reforms as important steps. President U Thein Sein recognized urgent need for Myanmar to invest in physical and social infrastructure, particularly in education and health, and to pursue a strong, growth-oriented development strategy based, in the first instance, on agriculture and natural resources and secondarily on manufacturing for domestic and export markets. The President also emphasized the conditions such as

³ Japan's Official Development Assistant Charter, [Japan: Ministry of Foreign Affairs, 2003], <https://www.mofa.go.jp/policy/oda/reform/revision0308.pdf>

⁴ Nan Pan, "*Japanese ODA to Asian Countries: An Empirical Study of Myanmar Compared with Cambodia, Laos, and Vietnam*" [Japan: Ministry of Finance], 22, https://www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf

good government and clean governance, rule of law, corruption problem, poverty reduction, transparency and accountability.⁵ It is seen to be offered a preview of the new government's development strategy, which requires a further wide-ranging reform process.

The first wave of reforms emphasized on solidifying national reconciliation, building good government and clean governance. The second and third waves of reform were launched in 2012 and 2013 focusing on the improvement of economic and social well-being of the Myanmar citizens. It has produced an impressive reforms focusing on the political system to restore peace and achieve national unity. The Government has also prepared a set of strategic plans, called; Myanmar Comprehensive Development Vision (MCDV), a Framework for Economic and Social Reforms 2012–2015 (FESR), and 20-year National Comprehensive Development Plan (NCDP).⁶ Since then, Myanmar government formulates clear plans for short, medium and long-term.

In spite of Japan had ceased economic cooperation with Myanmar in 1988, Japan continued to provide ODA to Myanmar through technical and humanitarian assistance. Before 2012, Japan prioritized human security and hard infrastructure assistance for Myanmar. Since 2012, Japan has intended to develop for peace and development projects in along with political dialogue in Myanmar. As these vital economic, Myanmar reformed social and political sphere and the Japanese government decided its economic cooperation policy in April 2012 that it had reviewed its assistance policy towards Myanmar and that it would resume its extensive assistance.⁷ Thus, Japan adopted the three pillars of its cooperation to Myanmar: (i) to improve people's livelihoods, (ii) to build capacity institutions and (iii) to implement infrastructure development. Japan also resumed its full-fledged assistance to Myanmar through provision of new yen loan projects for infrastructure development.

In May 2013, Japanese government provided three new Yen Loans amounting approximately ¥51.1 billion to Myanmar. All of these three ODA Loans are for infrastructure development in Myanmar. According to the Japan's ODA White Paper 2013, the first ODA Loan is for the goal of "Regional Development Project for Poverty Reduction Phase 1." The first ODA loan was intended to improve the livelihoods of residents by

⁵ Nan Pan, "Japanese ODA to Asian Countries: An Empirical Study of Myanmar Compared with Cambodia, Laos, and Vietnam"[Japan: Ministry of Finance],26, [https:// www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf](https://www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf)

⁶ Nan Pan, "Japanese ODA to Asian Countries: An Empirical Study of Myanmar Compared with Cambodia, Laos, and Vietnam"[Japan: Ministry of Finance],27, [https:// www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf](https://www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf)

⁷ Khen Suan Khai, "Japan's Official Development Assistance Diplomacy towards Myanmar in Post2012", [Thailand: MaeFahLuangUniversity], <http://connexion.mfu.ac.th/assets/uploads/ejournal/Vol.7%20No.1%202018/68-92%20Japan%20s%20Official%20Development.pdf>

constructing and rehabilitating life-supporting infrastructure, such as roads, electricity, and water supply especially in rural areas. The second ODA loan aimed for urgent rehabilitation and upgrading projects, especially in order to solve electric power shortages in Yangon. “Urgent Rehabilitation and Upgrade Project Phase 1” is intended to address the problem of constantly enforced power cuts and is expected to see further boosts in economic activities. This project worked to solve the power shortage by means of rehabilitating and upgrading existing power facilities. The third ODA Loan is “Infrastructure Development Project in Thilawa Area Phase 1.”⁸ In May 2013, Prime Minister Shinzo Abe supported assistance in order to promote Myanmar economy and to provide economic development in rural and ethnic areas. Therefore, Japan’s role in Myanmar is growing by supporting assistance to Myanmar.⁹ To raise national income through economic growth, Myanmar places importance on increasing direct investment from overseas.

The Myanmar government attempted to develop SEZ in order to raise national income and to increase direct investment by attracting foreign companies. In particular, Myanmar has made it a policy to attract foreign companies by developing its SEZs. Among them, the Thilawa SEZ Development Project being implemented in Yangon, the largest city in Myanmar has captured much interest as a large-scale project undertaken jointly by Myanmar and Japan. The Myanmar and Japanese governments were actively involved in the project to build the Thilawa special economic zone. The Governments of Myanmar and Japan have affirmed that the two countries would collaborate to develop the Thilawa SEZ, and the public and private sectors of the two countries made concerted efforts to develop the industrial zones.¹⁰ On 5 September 2014, Myanmar and Japan signed the ODA loan agreements in order to improve people’s access to basic infrastructure in Myanmar. The loan is granted for four development projects: (1) Yangon–Mandalay Railway Improvement Project Phase I, (2) Greater Yangon Water Supply Improvement Project, (3) Infrastructure Development Project in Thilawa Area Phase II, and (4) Irrigation Development Project in Western Bago Region.¹¹ Thus, this project is expected to contribute to the development of the surrounding infrastructure,

⁸ Japan’s Official Development Assistant Charter, [Japan: Ministry of Foreign Affairs of Japan, 2003], <https://www.mofa.go.jp/policy/oda/reform/revision0308.pdf>

⁹ Khen Suan Khai, “*Japan’s Official Development Assistance Diplomacy towards Myanmar in Post 2012*”, [Thailand: Mae Fah Luang University], [http:// connexion. mfu. ac.th/assets/uploads/ejournal/](http://connexion.mfu.ac.th/assets/uploads/ejournal/Vol.7%20No.1%202018/68-92%20Japan%20s%20Official%20Development.pdf) Vol.7%20No.1%202018/68-92%20Japan%20s%20 Official %20Development.pdf

¹⁰ Nan Pan, “*Japanese ODA to Asian Countries: An Empirical Study of Myanmar Compared with Cambodia, Laos, and Vietnam*” [Japan: Ministry of Finance], 29, [https:// www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf](https://www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_d.pdf)

¹¹ “Signing of Japanese ODA Loan Agreement with the Republic of the Union of Myanmar”, [Japan: Ministry of Foreign Affairs of Japan, 2014], [https:// www. jica. go.jp/ english/news/press/2014/140905_01.html](https://www.jica.go.jp/english/news/press/2014/140905_01.html)

namely roads and a port. Furthermore, a consortium established by private companies and other entities in Japan and Myanmar will lead the work of developing the industrial park in the initial development area.

Since 2012, Myanmar became Japan's highest ODA recipient. Japanese Prime Minister Shinzo Abe made the first official visit to Myanmar on 25 May 2013. During the visit leaders agreed to further promote people-to-people and cultural exchange between the two countries. Japan pledged US\$5.7 billion in loans and announced Japan's decision of waiving off the debt of US\$ 1.74 billion and also ODA loans US\$ 503 million for three projects. The Thilawa SEZ was the first Myanmar-Japan public-private initiative to be implemented here as a 2342 hectare industrial area outside of Yangon. Japan announced that the Japanese -backed Thilawa SEZ would start at the south of Yangon and the project had an estimated cost of US\$ 3.28 billion. In 2013, Myanmar received three new yen loans for its infrastructure development totaling more than ¥51.1 billion. The first ODA loan targeted to reinforce regional development for poverty reduction by providing life-supporting infrastructures in the development of rural areas. The second ODA loan aims for urgent rehabilitation and upgrading projects, especially in solving electric power shortages. The third ODA loan was for an infrastructure development project in Thilawa SEZ.¹² During Abe's term, there has been a flow of investment along with waiving off debt and strengthened the special relations between the two countries.

Since 2016, under the NLD government, Myanmar has prioritized economic and industrial development and improvements to the quality of life. Due to the lifting of economic sanctions, Myanmar's economic growth increased and promoted trade and investment and other factors. However, Myanmar faced many challenges in its basic infrastructure that hinder sustainable economic growth, poverty reduction including in regional and rural areas, and further promotion of investment.¹³ Therefore, Japan continues to provide the assistance in Myanmar's reform.

On 29 March 2018, the Japan International Cooperation Agency (JICA) and Myanmar signed loan agreements in Nay Pyi Taw, the capital city. It provided Japanese ODA loans of up to a total of 117.04 billion yen for four projects.¹⁴ On 29 March 2019, Myanmar has received a loan from JICA to implement the Yangon Mandalay Railway

¹² MOFA, Japan (1998), "Japan Foreign Ministry Press Release on Airport Loan Source", [14 June 2017],45, <https://www.burmalibrary.org/reg.burma/archives/199803/msg00187.html>

¹³ "Signing of Japanese ODA Loan Agreement with Myanmar: Comprehensive support for socioeconomic development", [Japan: Japan International Cooperation Agency, 29 March 2019], 1, https://www.jica.go.jp/english/news/press/2017/180329_02.html

¹⁴ "Signing of Japanese ODA Loan Agreement with Myanmar: Comprehensive support for socioeconomic development", [Japan: Japan International Cooperation Agency, 29 March 2019], 1, https://www.jica.go.jp/english/news/press/2017/180329_02.html

Improvement Project Phase II.¹⁵ They signed loan agreements consist of the four project in order to support socioeconomic development in Myanmar. As a result of loans agreement with Japan, its from project can support socioeconomic development in Myanmar. Since Myanmar taken the measure of the political and economic reforms, Japan is active participation in Myanmar development and activities with its ODA loans.

Conclusion

The Myanmar–Japan relationship is a long and highly prized one by both countries. Japan is interested in Myanmar in terms of its ODA for several reasons. Because of ODA is one of the most important diplomatic tools for Japan in relations with Myanmar. Japan’s ODA to Myanmar is not only intended to be charity or humanitarian activities but also for securing a diplomatic environment favorable to Japan as a diplomatic tool. Japan promoted democracy through ODA path in Myanmar as well as other countries. Japan has multiple reasons for its prominent role in Myanmar. Japan has been focusing enormously on boosting human capital and technical assistance to make prepared for its democratic transition in Myanmar. From the side of Myanmar, Myanmar is perceptively intending to constrain the long–dominant power of China in Myanmar. Therefore, Japanese ODA was important in Myanmar’s reform.

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¹⁵ Thiha, “*Invitation for Bids, Myanma Railways, Yangon–Mandaly Improvement Project Phase 2*”, [2019], <https://consult-myanmar.com/2019/04/01/invitation-for-bids-myanmar-railways-yangon-mandaly-improvement-project-phase-2-deadline-26-june-2019/>

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