

JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE FOR MYANMAR IN THE TRANSITION PERIOD

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Abstract

Japanese aid assistance to Myanmar began since 1955 in the form of reparations. In the wake of Myanmar's transition to democracy, Japan was responded more enthusiastically to Myanmar's political transition and has forgiven unprecedentedly his percentage of Myanmar's debt and allocated new large-scale official development assistance (ODA). Japan's assistance is quite frequently provided in links with the economic sector to support economic development and stabilization which will lead to the country towards democratization in the long run. However, some ethnic minorities such as Karens and Mons are eager to have genuine federal autonomy and open political institutions. They argued that economic development can be accompanied by political development. In my paper, I intend to reveal the helpful role of Japanese aid assistance for Myanmar's economic and political development in the transition period. I will be looking at Japanese ambitions for Myanmar's development. I also intend to explore the reasons why some ethnic minorities in Myanmar are more enthusiastic in order to achieve political development than economic development. So, my paper highlights the eagerness of some ethnic minorities for political development although Japanese development assistance is helpful for Myanmar's development at the time of Myanmar's needs.

Keywords : development assistance, economic development, political development, open political institutions, politics first approach

Introduction

After Japan joined the Colombo Plan in 1954, Japanese Official Development Assistance (ODA) began with the development of a support system alongside postwar reparations. In 1977, because of Japanese economic growth, it expanded globally while systematically increasing ODA aid amounts. In 1989, Japan overtook the United States to become number one worldwide in the quantity of ODA. From 1991 to 2000 Japan supported the growth of developing countries as the world's largest donor nation. In 1992, the first ODA Charter was established in response to the post Cold War

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international situation, clarifying principles and strengthening policies .Then, in 2003, the ODA Charter was revised for the first time in eleven years.

Over the past two decades, Japan has made strenuous efforts to build ODA institutional framework. These efforts are the formulation of ODA Charters (1992; 2003) and related policy framework, the establishment of the new Japan International Cooperation Agency (JICA) in 2008 as a single aid agency providing technical cooperation, grant aid. After many years of engagement with Myanmar's military regime, Japan began to play a significant role in supporting the country's shift toward political reform in 2011–2012. Even before Myanmar's 2011 opening, Japan diluted sanctions and focused on diplomatic dialogue with the regime. While other donors were reducing their aid to Myanmar, Japan provided millions of grant aid and technical assistance between 1989 and 2011. Japan was Myanmar's largest donor during the period of military rule. The Japanese government suspended new official development assistance (ODA) projects after Aung San Suu Kyi's third house arrest in 2003.

Japan's 1992 Official Development Assistance (ODA) Charter committed the country to provide foreign aid in a manner that promotes democracy abroad. The 2012 ODA white paper, which was released in March 2013, not only expressed Japan's intention to strengthen democracy abroad but also prioritized human security and hard infrastructure assistance. In order to support Myanmar's democratization, national reconciliation and sustainable development, Japan extended economic cooperation with Myanmar. It focused on improvement of people's livelihood, capacity building and development of systems to sustain economy and society, development of infrastructure and related systems necessary for sustainable economic system. 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.

Types of ODA

ODA is broadly divided into bilateral aid and multilateral aid. Bilateral aid is given directly to developing countries, and multilateral aid is

provided through international organizations. Bilateral aid comprises of Finance and Investment Cooperation (ODA loans and Private Sector Investment Finance) and grants (grant aid and technical cooperation). Of these, JICA provides concessional loans as ODA loans. To address the underdevelopment of economic and social infrastructure in developing countries, the increasing poverty in these regions and emerging the global problems of HIV/AIDS and other communicable diseases, air and water pollution, and conflicts and terrorism, the United Nations set out the "Sustainable Development Goals (SDGs)" as common goals, and individual countries have launched a range of measures. (<http://www.jica.go.jp>, P.12). ODA loans support developing countries by providing low-interest, long-term and concessional funds to finance their development efforts.

The Unique Presence of Japan International Cooperation Agency (JICA) in Myanmar

Japan through JICA has a very unique presence in Myanmar. Although the World Bank and Asia Development Bank do not have local offices, and the majority of international agencies provide assistance through non-governmental organizations, JICA is currently the sole donor providing direct aid to the government of Myanmar. Moreover, Japan has the most international students and trainees through government-sponsored programs for humanitarian cooperation. (<https://www.jica.go.jp>, February 9, 2012, P.2). Many of the cabinet members and department directors of the new administration have been exchange students in Japan.

JICA has concessional terms for developing countries, based on the LDC category and the World Bank income groups. There are four groups of developing countries (as of 1 April 2017):

1. LDCs with per-capita income less than \$1,025;
2. Non-LDCs with per-capita income less than \$1,025;
3. LDCs with per-capita income equal to or greater than \$1,025, and;
4. Non-LDCs with per-capita income equal to or greater than \$1,025. (<https://www.jica.go.jp>, P.1)

JICA has recently issued a blueprint of Preparatory Survey or the Integrated Regional Development for Ethnic Minorities in the South –East Myanmar which proposes industrial development in Southeast Myanmar. The JICA blueprint proposed “to promote peace through development” and encourages development activities to be conducted “in parallel” with political dialogue.(Khen Suan Khen,2015, p.9).Japan's support for Myanmar consists of three pillars: 1) improvement of people's livelihoods, including assistance for ethnic minorities and people living under the poverty line, 2) capacity building and institutional development, and 3) development of infrastructure and related systems necessary for sustainable economic development. All three pillars are important. (www.dw. com/.../can – japan... China, February 2018, P.2). JICA tries to keep an appropriate balance in each project, across different projects, and in the program as a whole, between economic development and poverty reduction, urban development and rural development, tangible assets and intangible assets, and between short-term outcomes and long term outcomes.

Aims of Japanese ODA towards Myanmar

Myanmar's great potential of natural resources and labor force and its abundance of energy, mineral, forest and agricultural resources have attracted Japanese attention since the nineteenth century. This was a major motive for Japanese occupation of Myanmar during the Pacific war. In the wake of transition, Japan enthusiastically supported Myanmar's political transition, allocated new large-scale official development assistance (ODA) and forgave large amount of Myanmar's debt. In order to support Myanmar's efforts for reforms in various areas towards its democrati-zation, national reconciliation and sustainable development, Japan extended economic cooperation focusing on the improvement of people's livelihood, capacity building and development of systems to sustain economy and society, development of infrastructure and related systems necessary for sustainable economic system (Donald M Seekins, 2015,p-125).

Japan adopted the 1992 ODA Charter. It recognized democratization as a factor in aid allocations to recipient countries, showed an attempt on Tokyo's part to satisfy Washington. Although it is unclear that democratization was ever actively applied as a criterion in Japan_ Myanmar

relations, the Japanese government gave moral support to Daw Aung San Suu Kyi. Japanese ODA in Myanmar intended to focus on public works and large infrastructure projects rather than “grassroots” or small-scale projects. (Donald M Seekins, 2015 , p-124). These projects were financed with concessional loans rather than grants in order to promote the recipient country’s “self- reliance”.

Japanese ambition and scale on several aid projects for Myanmar exceeds those of earlier infrastructure projects. These projects are not only the development plan for Karen and Mon States but the Dawei SEZ, a 60 billion USD project - a collaboration of Thai and Japanese public and private sector located in still another ethnic- minority area in Southern Myanmar and the Thilawa SEZ, located Southeast of Yangon, which is already under construction and now be considered the flagship if the Japanese aid presence in the country. Japan expected benefit from Myanmar as close ties are expanded. Its major interests in Myanmar are to make Japanese companies’ profit, to have access to Myanmar’s raw materials and to gain ability to compete with an economically expansive China. Myanmar attracted China for its abundant natural resources such as oil, natural gas, and minerals. Until 1988, Japan exerted the greatest influence in Myanmar (Donald M Seekins, 2015,p-113).When Japan and Western countries suspended a substantial amount of ODA to Myanmar in 1988, China increased its presence as a major investor in Myanmar and assumed its influence on Myanmar since then.

To counter China’s power, Japan has sought to create a coalition of democracies in the region. Japan noticed that Myanmar’s reform process as an opportunity to strengthen its relationship with Myanmar and thought that it would weaken China’s influence on Myanmar. Myanmar’s geographic proximity to China increased Myanmar’s strategic value. Democracy support for Myanmar became a top priority of the Abe administration’s foreign policy. The most important interest of Japan for Myanmar’s development is to compete with China for geopolitical strategic importance. It is both a driver and an inhibitor of Japan’s democracy support. Japan’s encouragement for Myanmar’s democracy was motivated by the post–2011 democratic transition. But the most distinctive impetus for Japan’s democracy support for Myanmar is its ongoing power struggle with China (Maiko Ichihara: January 22, 2015,

p.7). Although Japan has its own interest in Myanmar, Japan's aid, grant and ODA were very helpful at the time of Myanmar needs. The ODA was in billion US dollar for making the country stable in every respect.

Japan's ODA for the Development of Myanmar

Japan plays a major role in Myanmar's economic development through its allocation of war reparations and official development assistance (ODA), especially yen loans. From 1988 to 2011, Tokyo exercised some self-restraint in giving aid to Myanmar due to pressure from its major ally, the United States and its human right agenda. However, Japan increased its ODA from the transition from military rule to constitutional government in 2011. It also forgave a large amount of debt and invested in ambitious new special economic zones (SEZ). Japan diluted sanctions and focused on diplomatic dialogue with the regime in times of Myanmar's 2011 opening. Although other donors were reducing their aid to Myanmar, Japan provided \$857 million of grant aid and \$360 million of technical assistance between 1989 and 2011. Japan was Myanmar's largest donor during the period of military rule (Donald M Seekins, 2015,p-113).After Aung San Suu Kyi's third house arrest in 2003, the Japanese government suspended new official development assistance (ODA) projects.

Western countries have dropped their heaviest sanctions and grasped normalization of ties with Myanmar after the election of Daw Suu Kyi and 42 of her NLD colleagues to the Pyidaungsu Hluttaw in a by-election on April 2012. However, no country has responded more enthusiastically to Myanmar's political transition than Japan. It has forgiven an unprecedentedly high percentage of Myanmar' debt and allocated new large-scale official development assistance (ODA), including the first yen loans to Myanmar in a quarter of a century. Tokyo has sketched out ambitious development projects for Myanmar in collaboration with the new post-junta regime (Donald M Seekins, 2015, p-116).These development projects would be a major factor in transforming the government's economy as well as society and inter- ethnic relations.

Japan's support for minority issues does not directly help Myanmar progress toward democratization. However, this support could facilitate

democratization in two ways. First, to be a genuinely democratic country, Myanmar must fully incorporate the voice of its ethnic minorities, who constitute 30–40 percent of the population. Although the Thein Sein administration has reached ceasefire agreements with most minority groups, sporadic fighting persists, especially between the government and the Kachin Independence Army (Maiko Ichihara, January 22, 2015, p. 8). The termination of conflict is fundamental to the country's democratization.

Myanmar became the top recipient of Japanese ODA for the first time ever in 2012. Japan was Myanmar's largest creditor (approximately 75 percent 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 owned by Myanmar to the World Bank and the Asian Development Bank. 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 the total value of its ODA (loan and grant) projects in Myanmar amounted to only 23 billion (Donald M Seekins , 2015, pp-128-129). In other words, there is plenty of room for Japan's aid presence to grow.

Japanese finance minister, Taro Aso, met with President U Thein Sein and senior government officials in Nay Pyi Taw in 2013, to discuss bilateral economic relations. Mr Aso reaffirmed an earlier promise to waive part of Myanmar's US\$5.74 billion debt to Japan and said that the Japanese government would absolve about \$3.36 billion of the debt in two phases throughout 2013. In 2013, the Japanese government plans to loan \$56.1 million in ODA and plans to allocate \$22.4 million to infrastructure projects throughout the seven states and regions. According to Mr Takahara, Executive Director of JETRO, \$11.2 million will be allocated to the rehabilitation of existing power plants and \$22.4 million to the completion of the Thilawa SEZ outside of Yangon for the aims of reducing electricity cuts and providing Yangon with an international-standard industrial park. The Japanese government has been trying to invite Japanese investment towards Myanmar. However, the major obstacle for new investment is the lack of proper infrastructure (Aye Thida Kyaw, June 2018, P.2). Mr Takahara said the completion of the Thilawa SEZ will continue towards solving this obstacle.

In 2013, Japan resumed ODA loans to Myanmar after a 25-year hiatus, and since then has provided ODA loans for 15 projects, backing reform in Myanmar and supporting sustainable development. As a result of economic sanctions being lifted and the promotion of investment and trade in recent years, Myanmar has undergone a transition in its real economic growth to a rate exceeding 7 percent. The economic infrastructure of the country never the less faces many challenges which hinder sustained economic growth, poverty reduction and further investment. On March 1, 2017, JICA signed loan agreements(L/A) with the Government of the Republic of the Union of Myanmar in Nay Pyi Taw to provide Japanese ODA loans of up to a total of 125.021 billion yen for six projects.

A summary of the six Japanese ODA projects provided by the loan agreements is as follows:

- (1) Bago River Bridge Construction Project (loan amount: 31.051 billion yen)
- (2) Regional Development Project for Poverty Reduction Phase II (loan amount: 23.979 billion yen)
- (3) Agriculture and Rural Development Two Step Loan Project (loan amount: 15.135 billion yen)
- (4) Greater Yangon Water Supply Improvement Project (Phase II) (I) (loan amount: 25 billion yen)
- (5) Power Distribution System Improvement Project in Major Cities (loan amount: 4.856 billion yen)
- (6) Yangon-Mandalay Railway Improvement Project Phase I (II) (loan amount: 25 billion yen). (<https://www.jica.go.jp>, March 1, 2017, p. 5)

The six projects will be completed in the respective year: in 2021 (the first), in 2021(the second), in 2020 (the third), in 2025(the fourth), in 2020(the fifth) and in 2023(the six).

On October 23, 2017, JICA signed with the Government of the Republic of the Union of Myanmar for the Project of Myanmar-Japan Center for Human Resources Development, a technical cooperation project. The project will support the Myanmar-Japan Center for Human Resources

Development(MJC) in developing its organizational structure, enhancing the business training service administration and strengthening networks with the aim of making the MJC a hub for industrial human resource development, information and networking. The activities of the project include launching and strengthening the MJC organization, providing business courses, and networking with Japanese municipalities and economic groups. The planned implementation period is from April 2018 to March 2023 (<https://www.jica.go.jp>, October 25, 2017, p. 3).Japan's ODA would support Myanmar's efforts to promote the nation's democratization, rule of law, economic reform, and national reconciliation. The Japanese government believed that the aid assistance will promote inclusive and sustainable growth in Myanmar and Myanmar's efforts to restore security and stability according to international standards.

The Reasons for “Politics First Approach”

Ethnic minorities in Myanmar favour the “politics first approach” for the allocation of Japanese ODA towards Myanmar. They argue that economic development can be accompanied by political development. They said that not only with faster economic growth but also with better quality growth and political change that will unify the nation and create broad progress. The transition from a repressive, extractive and exclusive political system with crony businesses to a broadly inclusive political system only spreads economic opportunity. However only moving in the political sphere will not be sufficient, broad political and economic change need to go hand in hand (David Dapice, March 2013, P. 6). Many states and ethnic political parties have not given much thought to the precise institutional arrangements regarding limited autonomy. It is necessary the discussion and negotiation prior to any transfer. Elections alone do not ensure good government or outcomes (David Dapice, March 2013, P.11) .It is therefore important for the states to have control of and responsibility for many local issues.

Ethnic minorities want the government has to make some symbolic and practical concessions and gestures for showing good faith and awareness of ethnic grievances. For example, measures to allow the use of languages in government schools and State/Region level administrations, and action to address widespread land grabbing, would do much to build confidence in the

peace process on the part of ethnic communities. Donors and policy makers should support “convergence” between the state and non-state governance regimes and service delivery systems, in ways which build local practice – demonstrating to communities that the peace process can create spaces to support local agency. They need not have large-scale international assistance that delivered only through government channels, without the participation of key stakeholders, including conflict-affected communities, women and civil society actors (Ashley South, 2013, p-77). Locally-owned and sustainable attempts to build peace “on the ground” are particularly important.

Large-scale aid in the ethnic and armed conflict-affected areas before ceasefires are consolidated and political dialogue has been seen to have started could be dangerously counter-productive. Because of the government’s an “economic development first” agenda, many ethnic communities are concerned for using aid as an alternative to needed political dialogue. Ethnic communities are also concerned that aid interventions represent efforts by the Myanmar government to intensify its presence in and control over ethnic communities. Large-scale economic aid can in most cases be delayed until after political dialogue is started (Ashley South, 2013, pp-78-79). Furthermore, aid needs to be delivered in ways that reflect respect by donors, the government and implementing partners for the principle of ethnic autonomy.

To address ethnic concerns through political negotiations, it might be appropriate to transfer some issues from the political agenda onto the aid and development agenda. It is sure that conflict-affected areas are in desperate need of economic development, and private investment which can produce jobs and sustainable livelihoods (Ashley South, 2013, pp-79-80). In the absence of political progress and economic development without widespread consultation, it is unlikely to solve the deep and long-standing problems of armed and state-society conflicts in Myanmar.

Lack of transparency regarding export earnings from the sale of natural resources is a problem for ethnic minorities. More importantly is the country’s economy is dominated by monopolies under state-owned Economic Enterprises and crony capitalists with connections to the military leaders. The limitation of access to the government’s budgetary information and lack of

media scrutiny of economic policies are the major concerns for ethnic minorities. The government largely focused large-scale infrastructure projects for development rather than investing in the population through improvements in health and education (Anders Engvall & Soe Nandar Linn, 2013, p-111). Much of the infrastructure obsolete is rendered by the lack of transparency and chronic corruption and this lead to unable to serve the needs of the population.

A large variation in the level of economic and social development between different areas of the country, and similar differences exist between ethnic groups can to some extent be stated by differences in endowments and opportunities for economic activities, trade and labor migration. However, these differences have been accelerated by political factors – as policies favored the centres of Yangon and Mandalay at the expense of the peripheral border areas. The economic impact of armed conflicts is another avenue by which politics has held back development in ethnic minority areas. This leads to a negative cycle where by conflict holds back development and under-development in itself feeds a sense of relative deprivation (Anders Engvall & Soe Nandar Linn, 2013, pp. 112-113). To bring about long-term stability together with political settlements as part of national reconciliation, it is necessary to maintain the situation of economic development in post-conflict areas.

Ethnic minorities are distrust central government and demand for self-determination. While violent struggles are fundamentally political, conflict over natural resources aggravate the problems. Resource- rich ethnic states have been targeted for predatory resource extraction by the military governments for decades, serving to perpetuate the animosity towards the Union government (Anders Engvall & Soe Nandar Linn, 2013, p. 115).The developments in the ethnic minority states are crucial for stable change. These issues need to be forcefully and jointly addressed by successive governments because there are complex links between natural resources conflict and poverty.

Finding and Conclusion

Indeed, Myanmar is in the midst of historic change. Japan's ODA for Myanmar has a long history. Long - term engagement between Myanmar and Japan helps the patterns of accumulate technology, infrastructure, human capital as well as built relationship of trust. Development assistance continues to play a vital role in supporting Myanmar's transformation. Making development assistance transparent helps to ensure this assistance goes where it is most needed. Japan aid, grant and ODA were very helpful at the time of Myanmar needs. The ODA was in billion US dollar for making the country stable in every respect.

However, an economics - first - approach to development in ethnic-minority areas might exacerbate rather than resolve conflict. According to them, 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.

For some ethnic minority, although the assumption of economic development and rising standards of living will solve political problems, experience has shown that the opposite is true: Economic development often brings greater social. According to them, without a political resolution to Myanmar's many social conflicts, including the establishment of genuine open political institutions, the large-scale "economic first" approach of Japan is likely to hinder rather than promote the country's development into a truly democratic and developed country.

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