

China's Policy toward Myanmar: Challenges and Prospects

Toshihiro Kudo

Ever since the military regime assumed power in Myanmar, during which time European Union (EU) and the United States began imposing sanctions on the country, Myanmar's economic and political dependence on China—her guardian in the international society—began increasing. Myanmar had become more dependent on China than ever before. However, in March 2011, the transition from military rule to civilian rule was realized for the first time in 23 years when Thein Sein's administration was born, and Myanmar seeks to adjust its relations with China. Now, the relationship between China and Myanmar is at a crossroads. In this paper, we would like to review the history of the relationship between China and Myanmar and the former's strategic interests in and policy toward the latter; we will then consider the future prospects of the China-Myanmar relationship in the advent of the age of democratization in Myanmar.

1. History of China-Myanmar Relationship

Myanmar attained its independence as the Union of Burma in 1948, and the People's Republic of China was founded in October 1949. Diplomatic relations were established between the two countries early in 1950, and the then Chinese Prime Minister, Zhou Enlai, visited Myanmar in 1954, proposing the "five principles of peace" (mutual respect for territory and sovereignty, nonaggression, mutual noninterference in internal affairs, equality and mutual benefit, and peaceful coexistence). In 1960, their international boundaries were defined, making it China's first official boundary with a neighboring country. The mutual boundary spanned approximately 2,200 km.

During the period from its independence until the early 1960s, Myanmar's government engaged in fierce battles with ethnic minorities and the Communist Party of Burma (CPB). Ever since the 1967 anti-Chinese riots in Myanmar, the Chinese Communist Party has actively supported the CPB, which was then relegated to the border areas of Myanmar. The CPB attempted to seize power along the border in 1968, and took control of the trade centers along the China-Myanmar border in the early 1970s. Although the bilateral relationship was normalized in 1971, China pursued a form of dual diplomacy with the government of Myanmar on one hand and with political parties in Myanmar on the other, and continued its support of the CPB. The then Chinese Deputy Prime Minister Deng Xiaoping visited Myanmar in 1978, when China withdrew substantial support for the CPB.

From 1986 to 1987, the Myanmar Armed Forces (MAF) went on the offensive against the CPB and recaptured the trade route along the border. In 1988, through a coup d'état, the military government acquired power and clamped down on prodemocracy movements in the country; this act received severe criticism from developed countries. However, China immediately initiated a strong bilateral

relationship with Myanmar's new military government. In October 1989, the then Vice Chairman Than Shwe and then First Secretary Khin Nyunt visited China and succeeded in gaining military and economic assistance for Myanmar from the host country. In reality, this meant that Myanmar and China literally entered into a "*Paukphaw*" (Burmese for "blood brother"; a term used by Myanmar people when referring to the Chinese in a friendly manner) relationship.

However, in March 2011, the China-Myanmar relationship began to show subtle changes when the transition from military rule to civilian rule was realized in Myanmar for the first time in 23 years, and Thein Sein's administration came to the fore. In order to eventually detach itself from its excessive dependence on China, Myanmar's government began to seek out ways to improve its relations with Western countries. Under these circumstances, Japan reinitiated its full-fledged assistance to Myanmar, and a large number of Japanese private companies began to visit the country. The United States also began to develop its business relationship with Myanmar, for example, by easing restrictions on American companies investing in Myanmar. Thus, entering the age of democratization, the presence of China in Myanmar is becoming relatively weaker.

2. Three Strategic Chinese Interests in Myanmar

China primarily has three strategic interests in Myanmar: (1) energy procurement and energy security, (2) access to the Indian Ocean, and (3) security of the border areas and border trade.

1) Energy Procurement and Energy Security

Energy procurement and energy security have been concretely realized by projects such as the transportation of crude oil and natural gas from Myanmar to China through a pipeline and the building of hydroelectric power plants in the border area. With regard to natural gas, the laying of a pipeline has been underway for its transportation across Myanmar from the seabed of a gas field called "Shwe" off the Rakhine State. A pipeline for crude oil is also being laid parallel to the natural-gas pipeline. Currently, a deep-sea port is under construction in Maday Island near Kyaukpyu; the plan is to transport crude oil, which is carried by tankers from the Middle East and Africa to Myanmar, through a pipeline to the Yunnan Province in China. In addition, a proposal has been made to convert the area around Kyaukpyu into a special economic zone (SEZ) connected to China by road and railway, in an attempt to make the area an industrial site in Myanmar. However, there is yet to be any progress made on the building of this special economic zone. Today, about 40% of Myanmar's total exports are natural gas. The export of natural gas from the Shwe gas field is expected to commence by the end of 2013, after which Myanmar will obtain another big source of foreign currency.

Another project is also underway: the construction of hydroelectric dams in the border area; the electricity generated here will be sent to Yunnan Province. The Shweli I Hydropower Plant (600 MW), the largest in capacity in Myanmar, has already begun transmission of electricity. Most of the power generated here is sold to China. In addition, the China Power Investment Corporation planned to construct seven hydroelectric dams along the upriver basin of the Irrawaddy River. However, the

construction of one of these dams, the Myitsone Dam, was declared as suspended by President U Thein Sein on September 30, 2011. This was because of strong opposition from the people against its construction, who cited reasons such as environmental destruction, relocation of the inhabitants, and damage of cultural assets owing to construction of the dam. President U Thein Sein suspended the dam's construction saying, "As our government is elected by the people, [our purpose] is to respect the people's will. We have the responsibility to address public concerns in all seriousness. So construction of [the] Myitsone Dam will be suspended [by] our government" (excerpt from President U Thein Sein's message to the Parliament made on September 30, 2011). However, plans to construct the remaining six dams have not been aborted.

Currently, there are plans to construct 48 power plants across Myanmar: 45 hydroelectric power plants, 2 coal-fired power plants, and 1 gas-fired power plant. On completion of all these projects, the total installed capacity will be 36,635 MW, over ten times that of Myanmar's current power-generating installed capacity, which is 3,413 MW. Over 35 of these planned power plants are confirmed to be implemented by Chinese corporations. Even if Myanmar corporations were responsible for implementing projects, they would often import power generators and construction materials from China. Although the construction of the Myitsone Dam was frozen, there is no doubt that Chinese corporations will continue to retain a strong presence in Myanmar's development of power.

2) Access to the Indian Ocean

For the landlocked Yunnan terrain, securing access to the Indian Ocean through Myanmar as a land bridge is important for acquisition of trading routes as well as for security. This is China's second strategic interest in Myanmar, and two routes have been envisaged. One route will be created by constructing roads/railways to connect Ruili (its counterpart on the Myanmar side is called "Muse."), a border town in Yunnan; Kyaukphyu of Rakhine State; and the deep-sea port near Kyaukphyu. The other route will be created by constructing a river port on Bhamo in Kachin State, from which the Irrawaddy River will lead to the Yangon and Thilawa ports. On April 27, 2011, the China Railways Engineering Corporation and Myanmar Union Ministry of Rail Transportation signed a memorandum of understanding for the construction of a railway from Muse to Kyaukpyu. The concept of using Myanmar as a land bridge is part of China's two-ocean strategy to gain access to both the Pacific and Indian Oceans.

3) Border Trade and Security in Border Areas

The third strategic interest is the securing of border trade routes and the stability of the border regions. Myanmar is Yunnan Province's biggest trading partner. The China-Myanmar border trade is also a Myanmar's logistical artery. China's exports to Myanmar were +53% year-on-year in 2010 and

+39% year-on-year in 2011, while China's imports from Myanmar were +49% year-on-year in 2010 and +75% year-on-year in 2011. Thus, both China's exports and imports are steadily increasing.

There are no official statistics confirming how much is the percentage of overland trade between the two countries in comparison to the total trade. Here, we would like to define "border trade" as referring to the trade of goods to or from Myanmar that is transported after customs clearance under the jurisdiction of their capital of Kunming in Yunnan Province, China. China's customs statistics provide us with the trends in export and import by customs. Most goods to or from Myanmar and passing through the customs in Kunming in Yunnan Province, which is a landlocked region, can be regarded as goods that have passed through the land border between the two countries. However, there might be a few cases where goods that have passed through the customs of Kunming have been transferred to the Yangon Port via China's coastal regions or to the port of Hai Phong in Vietnam. Of course, there is also the trade of goods by air through Kunming airport. However, considering the types of goods (e.g., machinery, automobiles, wood, crops, etc.) traded between Yunnan Province and Myanmar, the use of air transport can be supposed to be very limited. On the basis of these assumptions, the results of our estimation of the ratio of border trade between Myanmar and Yunnan Province in China are shown in Table 1. The ratio of the border trade (percentage of the trade cleared through Kunming's customs office) accounted for about 60% of China's total exports to Myanmar, and about 80% of the total imports in 2005. The ratio tends to decline thereafter, but it is evident that the border trade plays a major role in the trade between the two countries.

(Million US\$)

Table 1 China's Trade with Myanmar

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
China's exports to Myanmar	496.4	497.4	724.8	908.0	938.5	934.9	1207.2	1691.9	1979.2	2279.1	3480.7	4825.0
Ratio of exports through Kunming's customs office	59.1%	52.5%	49.4%	49.1%	53.3%	57.8%	54.3%	47.3%	46.3%	46.5%	50.8%	47.2%
China's imports from Myanmar	124.8	134.2	136.9	169.5	206.9	274.4	252.7	370.6	644.5	645.5	961.0	1677.4
Ratio of imports through Kunming's customs office	53.6%	69.8%	77.0%	79.3%	79.5%	81.5%	66.0%	62.5%	71.6%	70.1%	66.7%	39.1%

(*) "Ratio of exports/imports through Kunming's customs office" refers to the ratio of exports/imports passing through Kunming's customs office when compared to China's total exports to/imports from Myanmar.

(Source) China's Customs Offices (data retrieved by World Trade Atlas).

Between Myanmar and Yunnan Province, the Chinese government has established four first-class (national class) border gates (including air and sea routes), through which goods and persons from the two partner countries and other countries can pass, and twelve second-class (provincial class) border gates through which only goods and persons from the two partner countries can pass. Let us analyze the statistics on trade values as of 2006, although a little old, through a major border gate (including air and sea routes) in Yunnan Province. When compared to the total trade, border trade by land with the three neighboring countries—Myanmar, Laos, and Vietnam—accounts for about 60%, trade by air through the Kunming International Airport is 36%, and trade through the Jinghong port on the Lancang Jiang (also known as the Mekong River) is less than 4% (Table 2). Although these figures indicate that border trade plays an important role, we should analyze the amount of cargo (in tons)—as much as 98%—clarifying the importance of overland international logistics for Yunnan Province, which consists of an inland, landlocked terrain. Moreover, border trade with Myanmar accounts for about 30% of the total trade value of Yunnan Province and about 50% of the transport volume.

Table 2 Trade Value by Border Gate in Yunnan Province (in 2006)

Border Gate	Governing bodies on the Myanmar side	Export	Import	Imports and Exports Value		Freight Traffic Volume (tons)
				Amount	Share	Share
Ruili	Myanmar's Government	373.2	26.8	399.9	14.7%	10.1%
Yingjiang (Nabang)	Kachin Independence Army (KIA)	51.1	57.0	108.1	4.0%	11.1%
Menglian	United Wa State Army (UWSA)	23.1	61.5	84.7	3.1%	5.6%
Daluo	East Shan States Army	29.7	7.7	37.5	1.4%	2.6%
Zhangfeng	KIA	32.9	3.0	35.8	1.3%	0.8%
Houqiao	KIA	10.1	21.2	31.3	1.1%	11.5%
Wanding	Myanmar's Government	27.1	3.5	30.6	1.1%	1.2%
Qingshuihe	Myanmar National Democratic Alliance Army (MNDAA)	9.4	5.4	14.8	0.5%	0.9%
Cangyuan	UWSA	3.3	9.1	12.5	0.5%	1.5%

Nansan	MNDAA	8.2	2.3	10.5	0.4%	2.9%
Pianma	New Democratic Army–Kachin	0.4	3.8	4.2	0.2%	2.3%
Total	in Myanmar	568.6	201.3	769.9	28.2%	50.4%
Hekou		459.2	191.9	651.1	23.9%	40.0%
Other national borders		44.0	21.2	65.1	2.4%	2.6%
Total	in Vietnam	503.2	213.0	716.2	26.3%	42.5%
Laos (Mohan)		117.9	45.3	163.2	6.0%	5.0%
Kunming International Airport		682.9	301.2	984.1	36.1%	0.3%
Jinghong Port		52.0	42.7	94.8	3.5%	1.8%
Total		1924.6	803.6	2728.2	100.0%	100.0%

(Source)Ministry of Commerce, People’s Government of Yunnan Province.

There are 16 border gates (including 11 major ones) established on the Yunnan side along the border between Yunnan Province and Myanmar, while there are only 3 border gates [Muse (105 miles), Lweje, and Chinshwehaw] officially established on the Myanmar side. Why is this the case? Since many border gates established on the Myanmar side are in the “special regions” over which ethnic minorities have effective control, they are not recognized as official border gates by Myanmar’s government. In Table 2, border gates under direct control by Myanmar’s government are only those in Ruili and Wanding. On the Myanmar side, cargo that passes through either of the two border gates is examined for onward export/import proceedings at Muse (105 Miles), which is more than 10 km from the border towns of Muse and Kyu-hkok. On the other hand, the border gate established in Lweje (Zhangfeng on the Chinese side), in the area controlled by the Kachin Independence Army (KIA), and the border gate established in Chinshwehaw (Qingshuihe on the Chinese side), in the area controlled by the Myanmar National Democratic Alliance Army (MNDAA), are substantially influenced by Myanmar’s government, and as such, they can be regarded as officially recognized border gates. To conclude, only goods that pass through these three border gates (four border gates on the Chinese side) are used in the Myanmar government’s statistics on border trade. Goods that are imported and exported through the other border gates are not reflected in such statistics.

Why were special regions that are effectively controlled by armed groups belonging to the ethnic minorities established on the Myanmar side along the border between the two countries? To answer this question, we need to go back to 1988, when the current military government assumed power. Including the Burmese that account for 70% of the total population of Myanmar, there are as many as

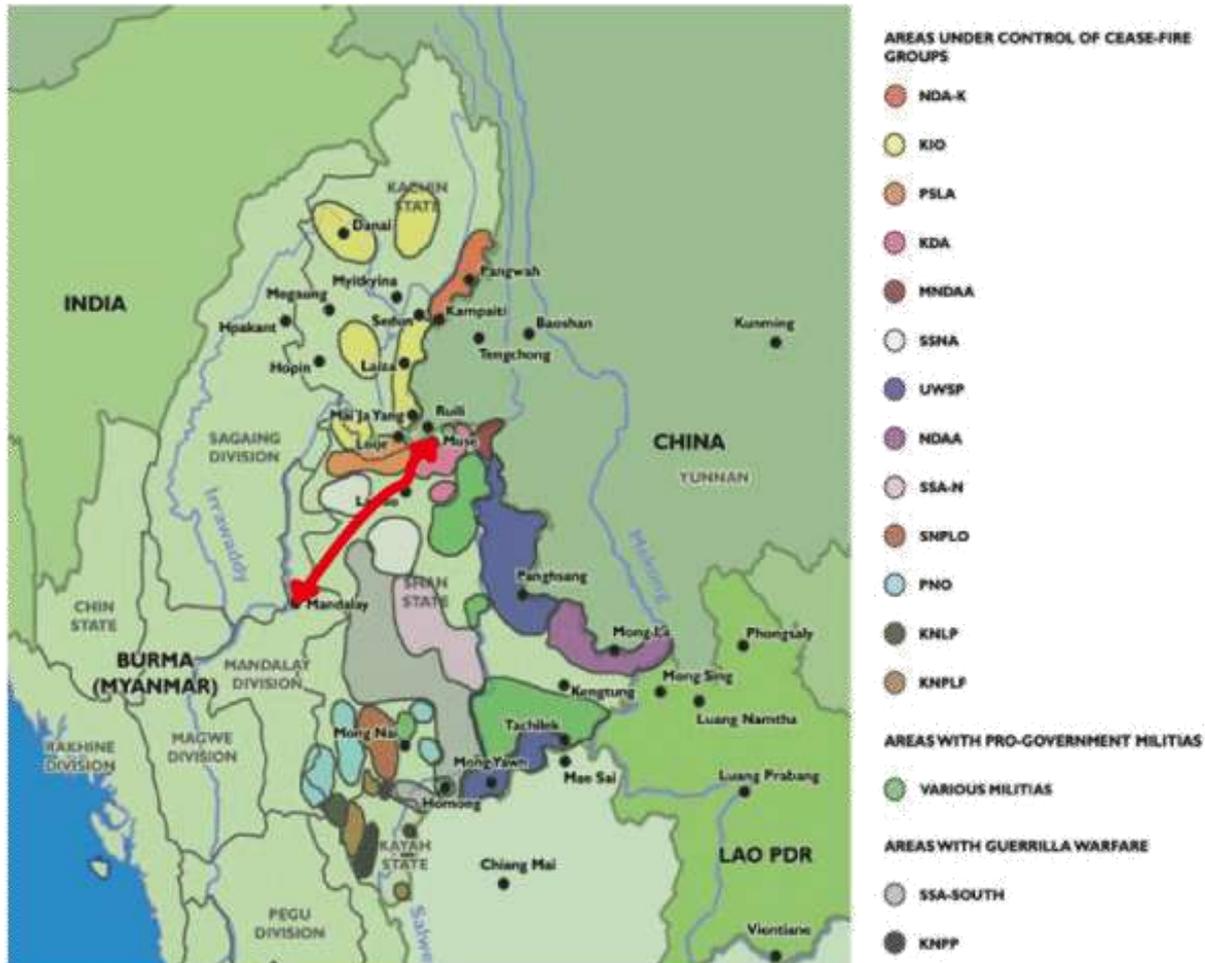
Why were special regions that are effectively controlled by armed groups belonging to the ethnic minorities established on the Myanmar side along the border between the two countries? To answer this question, we need to go back to 1988, when the current military government assumed power. Including the Burmese that account for 70% of the total population of Myanmar, there are as many as 135 ethnic groups. Since Myanmar's independence in 1948, there have been armed skirmishes between various ethnic minorities seeking separation/independence or greater autonomy. On the other hand, the CPB has pursued its own fight—known as the communist revolution,—with the aim of fundamental reform of the national system, while sometimes struggling jointly with the armed forces belonging to ethnic minorities. As previously mentioned, MAF seized power in September 1988 by subduing the democratic movements raised nationwide. At that time, prodemocracy activists, including tens of thousands of students, escaped across the border to Thailand, and sought to establish a coalition with the armed forces of the ethnic minorities of the Karen, Mon, Karenni, and Pao. However, the rebels lacked the necessary weapons at that time. On the other hand, the CPB, which had a presence on the border between China and Myanmar, maintained its military presence owing to aid from the Chinese Communist Party, which provided it with weapons until the end of 1970.

If Burmese prodemocracy groups, the armed forces belonging to ethnic minorities, and the CPB were united for a common purpose, they would have posed the greatest threat (in terms of loss of power) to the MAF. The MAF were compelled to neutralize the antigovernment rebels' armed opposition (particularly that of the CPB), and an opportune moment was quickly presented. In April 1989, the CPB was internally split by rebellion. On April 17 of the same year, the United Wa State Army, which had been under the wing of the CPB, raided the Party's headquarters in Pangsang (presently renamed "Pangkang"), the provincial capital. The Party leaders expected China to intervene, but China, which had recently strengthened its relations with Myanmar's military government, never did. Rather, the forecast that China would not intervene facilitated rebellion within the CPB. As a result, the CPB collapsed and split into four armed forces of different ethnicities: the United Wa State Army (UWSA; Wa ethnic group), Myanmar National Democratic Alliance Army (MNDAA; Kokan ethnic group), Eastern Shan State Army (ESSA; Shan ethnic group), and New Democratic Army–Kachin (NDA–K; Kachin ethnic group).

The MAF immediately responded, and the then First Secretary Khin Nyunt entered the border area and successfully obtained a ceasefire agreement with four emerging armed forces belong to the ethnic minorities; ceasefire agreements with the remaining ethnic minority rebels followed shortly. Ironically, the MAF, which seized central state power by force, chose to sign the ceasefire agreements with ethnic groups in the remote regions in order to maintain its own power. Thus, the MAF signed ceasefire agreements with 17 armed forces belong to the ethnic minorities by 1997, having achieved peace with no large battles anywhere in the country for the first time since the independence of Burma. The ethnic groups that signed the ceasefire agreements were given special regions over which they could exercise a large amount of autonomy. This is how most of the border areas between China and Myanmar have

come to be effectively controlled by the armed forces belonging to the ethnic minorities' armed forces (see the map).

Map: Ethnic Minorities' Areas of Influence and the New Burma Road



(Source) Excerpt from Transnational Institute, “Neither War Nor Peace: the Future of the Cease-fire Agreements in Burma,” July 2009. An arrow to show the new Burma Road was inserted by the author.

In special regions, the armed forces belonging to the ethnic minorities imposed their own tariffs and tolls on border trade. Therefore, it is possible that goods that entered special regions never went beyond the regions and never reached the large consumption areas of Myanmar and China, resulting in limited logistical development. For example, the distance between Pangkang, which is a border gate and the capital city of the second special region of Shan State, effectively controlled by the UWSA and Mandalay, the second largest city and the center of commerce and industry in upper Myanmar, is as short as 200 km approximately, although all trade must cross the Salween River. In the border town of Menglian, China has already established a superb building equipped with facilities that can function as a first-class national border gate. In addition, China is ready to begin full-fledged border trade (see the photograph). However, it is said that 11 checkpoints have been installed between Menglian and

Mandalay, and the villages in between impose tolls on passage. Therefore, the presence of special regions impedes the sound development of border trade.



(Menglian border gate established in Pu'er City, Yunnan Province, China. The opposite side of the gate belongs to Pangkang, the capital of the Wa Special Region, which is effectively controlled by the UWSA. This photograph was taken by the author on July 29, 2009.)

In contrast, the border gate in Ruili–Muse, which is under the direct control of the government of Myanmar, was successful in linking the major cities areas of Myanmar and China and has grown significantly. Cargo that has passed through the border gates of Ruili in Yunnan Province and Muse in the Shan State is transported on a road for about 460 km before reaching Mandalay. The road is called “Burma Road,” one of the so-called Chiang Kai-shek-supporting routes that opened in 1938. In 1998, Asia World and Diamond Palace, two private corporations in Myanmar, widened and paved the road using the build–operate–transfer (BOT) method and allowing bigger trucks to travel on it. Before the completion of this new road, there had been many black spots on the existing mountain road between Mandalay and Muse, and vehicles would sometimes fall off the cliff; therefore, it took several days, sometimes even one week, for trucks to cover the distance during the monsoon. Now, it takes only 12–16 hours. Asia World, which was contracted to improve the road, is owned by the son of Lo Hsing Han, who is said to have once been a drug lord. Diamond Palace is said to be a company related to the military intelligence agency of the MAF. It is said that in order to prevent a private company from

monopolizing a strategic road, a company related to the military intelligence agency was created to control one section of the road.

Thus, the armed forces belonging to ethnic minorities are present on the Myanmar side all along the border. As previously mentioned, these armed forces have conducted antigovernment activities for a long time with the support of the Chinese Communist Party, and as such, their presence can be said to be a negative contribution by China. In the areas controlled by the armed forces belonging to ethnic minorities, narcotics and/or stimulant drugs are produced and these products are exported into China. On its side, China has begun supporting agricultural production as an alternative to narcotic drugs. Therefore, security along border areas remains a major concern for China.

3. China's Policy toward Myanmar

The first feature of China's policy toward Myanmar is summit diplomacy. During the period from 2009 to 2010, Li Changchun, Xi Jinping, and Wen Jiabao, three of the nine leaders belonging to the Central Political Bureau Standing Committee of the Chinese Communist Party, visited Myanmar. On the other hand, the then Chairman of the State Peace and Development Council (SPDC) Senior General Than Shwe visited China in September 2010 prior to the general election scheduled for November 2010. After the new administration led by President U Thein Sein was sworn in on March 30, 2011, the Chinese People's Political Consultative Conference (CPPCC) Chairman, Jia Qinglin, visited Myanmar on April 2, 2011. Further, the CPC Central Military Commission Vice Chairman, Xu Caiho, visited Myanmar on May 12, 2011. In response, President U Thein Sein visited China on May 16, of the same year.

However, ever since President U Thein Sein's announcement to freeze construction of the Myitsone Dam on September 30, 2011, no member of the Central Political Bureau Standing Committee of China has visited Myanmar. In the meantime, Myanmar Vice President U Tin Aung Myint Oo, MAF Commander in Chief General Min Aung Hlaing, and Myanmar Foreign Minister U Wunna Maung among others have visited China. Finally, on July 10, 2012, State Councilor Meng Jianzhu (Minister of the Public Security of China and Head of the Police) visited Myanmar and said almost nothing regarding the economic cooperation proposed in the past but expressed concerns regarding security in the northern part of Myanmar (Kachin State). Pointing out that the implementation of projects for which China cooperates with Myanmar is threatened in the northern part of Myanmar owing to disturbances between the KIA and MAF, and that refugees from Myanmar have fled into China, State Councilor Meng Jianzhu called for Myanmar to improve its security. Entering the age of democratization, China's summit diplomacy has stagnated.

The second feature is the promotion of economic cooperation and investment throughout the period of Myanmar's military administration. When the three leaders of the Communist Party of China visited Myanmar, which was under military rule, they had agreed upon economic cooperation for 35 projects. It is said that China's economic cooperation has two purposes: to secure resources and to establish friendly relations with neighboring countries. Since Myanmar has served these two purposes,

China's assistance to Myanmar has grown. However, this assistance also faces a wide amount of criticisms. One is the exploitation of natural resources by China's economic cooperation projects. With respect to timber, reckless deforestation that ignores sustainability has been particularly criticized. In addition, the assistance to Myanmar's state-run factories has also been criticized because, in spite of the need to privatize the factories, they have survived through increased funding from China and continue to support Myanmar's military government.

Since 2010, China's investment in Myanmar has been rapidly increasing (See <Reference> Current Status of Approved Foreign Investment in Myanmar). During the four months from April to July 2010, just prior to the general election in November 2010, foreign investments in Myanmar amounting to nearly \$16 billion were approved. Investors in natural gas, hydroelectric power, and mining (such as copper mining) were China (including Hong Kong), Thailand, and South Korea. Although, conventionally, there had not been much of a Chinese presence in terms of official foreign investment in Myanmar, 2010 became China's "first year of investment" in Myanmar.

The third feature is realist diplomacy. Diplomacy has been utilized by China to realize its own strategic benefits, such as security in the border regions, securing of friendly neighboring countries, and energy security. On the other hand, on the assumption of noninterference in internal affairs, value diplomacy for the purposes of human rights, freedom, and democracy has never been conducted.

4. Challenges in China's Policy toward Myanmar

It has been pointed out that because of such realist diplomacy, anti-China sentiment is growing in Myanmar. In other words, negative images of the Chinese government, corporations, and people have been created among the people in Myanmar. The Chinese government supported the military government of Myanmar, Chinese companies are exploiting Myanmar's natural resources, and China's *nouveaux riches* are buying Myanmar land. There is an image that Chinese are taking women in Myanmar back to China as their brides. Myanmar's new government has determined to freeze the construction of the Myitsone Dam against a background growing anti-China sentiment. Therefore, China has been under pressure to improve the images of its country and people.

Further, as already pointed out, the armed forces belonging to the ethnic minorities in the border areas of the two countries can be said to have been created by the Chinese Communist Party. Once a struggle occurs between the MAF and the armed forces, China will be directly affected by droves of refugees fleeing into the Chinese side of the border. While assuming noninterference in internal affairs, the Chinese government needs to work with the Myanmar government, MAF, and armed forces belonging to the ethnic minorities to help solve political issues.

China's policy toward Myanmar has been greatly influenced by the rapid growth of intimacy between the Thein Sein administration and the United States government. Improvement of relations between Myanmar and the United States has transformed Japan's policy toward Myanmar, contributing to the expansion of Japan's presence in Myanmar with a full-fledged resumption of aid, and the investment of Japanese companies. For China to protect its strategic interests in Myanmar,

In that sense, China should work toward building a new policy toward Myanmar in the advent of the age of democracy.

5. Implications of Japan's Policy toward Myanmar

Throughout the period of Myanmar's military government, the influence and presence of Japan has gradually reduced. Unlike Western countries, Japan had neither imposed sanctions on Myanmar nor had Japan been actively involved in Myanmar's internal affairs as China had. This half-baked standing position of Japan considerably lowered its influence upon Myanmar's government.

However, the situation has dramatically changed with the birth of the Thein Sein government and the progress of its reform. In the midst of the Thein Sein government's work to improve relations with Western countries, Japan quickly paved the way to resolve Myanmar's long overdue debt amounting to 500 billion yen, and decided to resume full-fledged economic assistance. Having solved the problem in such a short period clearly indicates the enthusiasm of the Japanese government to support Myanmar. In addition, Japanese companies are interested in labor-intensive manufacturing and agriculture and export of infrastructure, and therefore, investment-environment study missions are being regularly sent to Myanmar. Expansion of Japanese companies in Myanmar can be seen as the driving force of Myanmar's industrial development. The people in Myanmar have a good image of the Japanese and regard Japan as a friendly and advanced country, providing an environment in which Japanese can find work easily and live comfortably in Myanmar. In a nutshell, it is possible for both countries to become trusting partners for each other for their respective economic development.

Most important is the depiction of a grand design in which Myanmar is positioned in Japan's diplomacy, and the win-win relationship between the two countries continues for a long time in the future. Japan's presence in Myanmar has significantly recovered in the past year. Taking advantage of the opportunity mentioned above, Japan should work out a vision for developing favorable medium- to long-term relations with Myanmar.

<Reference> Current Status of Approved Foreign Investment in Myanmar

In the two years from 2010 to 2011, 1.6 times more than the total amount of foreign investment made for nearly 20 years until the end of FY2009 was approved. Companies from China (including Hong Kong), Thailand, and Korea were major investors. Most of the investment was made in resource development in areas such as electric power (construction of hydroelectric dams), oil and gas, and mining.

