

China and Japan's Economic Relations with Myanmar: Strengthened vs. Estranged

Toshihiro Kudo

INTRODUCTION

China has historically been the most important neighbor for Myanmar, sharing a long 2185 km border. Myanmar and China call each other “Paukphaw,” a Myanmar word for siblings that is never used for any country other than China, reflecting their close and cordial relationship. The independent China-Myanmar relationship is premised on the five principles of peaceful co-existence, including mutual respect for each other's territorial integrity and sovereignty and mutual non-aggression.

Japan and Myanmar have also had strong ties in the post-World War II period, often referred to as a “special relationship”, or a “historically friendly relationship.”¹ That relationship was established through the personal experiences and sentiments of Ne Win and others in the military and political elite of independent Myanmar. Aung San, Ne Win and other leaders of Myanmar's independence movement were members of the “Thirty Comrades,” who were educated and trained by Japanese army officers.²

However, China's and Japan's relations with Myanmar have developed in contrast to one another since 1988, 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 its relations with China, while their relationship with Japan has worsened and cooled.

What accounts for the differences in China's and Japan's relations with Myanmar? The purpose of this chapter is to examine the development and changes in China-Myanmar and Japan-Myanmar relations from historical, political, diplomatic and particularly economic viewpoints. Based on discussions, the author evaluates China's growing influences on the Myanmar government and economy, and identifies factors that, on the contrary, have put Japan and Myanmar at a distance since 1988.

The first section introduces the history of China-Myanmar and Japan-Myanmar relations in the post-World War II period, with special reference to Japan's official development assistance (ODA) to Myanmar. The second section reviews the new international and regional reality surrounding Myanmar. The Cold War ended almost at the same time that the military took power in Myanmar. The birth of the military government itself perhaps simply coincided with the end of the Cold War; however, this brought about a new international and regional reality and events that eventually strengthened China-Myanmar relations, while putting Myanmar and Japan at a distance. These events include changes in Japan's ODA policy, Myanmar's open-door policy and the attendant regionalization of trade, and China's rise as a major donor. The third section examines such events in detail. In conclusion, the author deliberates on a new role for China and Japan in the international community in order to promote national reconciliation and economic development in Myanmar.

1. CHINA/JAPAN RELATIONS WITH MYANMAR UP TO 1988

1.1 China and Myanmar

Even though China has historically been the most important neighbor for Myanmar,

independent Myanmar has been cautious about their relationship. In reality, China-Myanmar relations have undergone a series of ups and downs, and China has occasionally posed an actual threat to Myanmar's security, such as the incursion of defeated Chinese Nationalist (Kuomintang or KMT) troops into the northern Shan State in 1949 and confrontations between Burmese and resident overseas Chinese, including militant Maoist students in 1967.

China had long adopted a dual-track approach toward Myanmar by endorsing party-to-party relations between the Chinese Communist Party (CCP) and the Burmese Communist Party (BCP), in addition to state-to-state relations. The CCP's covert and overt support of the BCP, which resorted to armed struggle against the Myanmar government just after its independence, seriously hindered the two countries' state-to-state relationship. Against such a backdrop, the Myanmar leadership had observed strict neutrality during the Cold War, avoiding military and economic aid from the superpowers.

Dramatic changes emerged in the wake of the birth of the present military government. When the military took power by coup in 1988, thousands of pro-democracy activists, including students, fled to the border area near Thailand, where numerous ethnic insurgencies were active.³ While none of the ethnic rebels had meaningful amounts of armaments, the BCP, located along the Chinese border, had vast quantities of arms and ammunition that were supplied by China. A possible alliance of pro-democracy activists, ethnic rebels and the BCP with its armed-might could pose a real threat to Myanmar's military government.

However, a mutiny caused the BCP to split into four ethnic groups in early 1989. The CCP had already withdrawn its active support of the BCP after 1985 (Tin Maung

Maung Than, 2003:194). Just before the end of the Cold War, China departed from its dual-track diplomacy and renounced its policy favoring the BCP, which, having lost Beijing's backing collapsed the year after SLORC's establishment.⁴ Lucky for Yangon, it had gained Beijing's backing in the midst of Western ostracism.

The mutiny provided a golden opportunity for the Myanmar military to neutralize the newly emerged armed groups, and they were willing to pay any price for this. Khin Nyunt, then Secretary One of the SLORC, wasted no time in going to the Chinese border and successfully achieved a ceasefire with these groups. For the ceasefire, the Myanmar government offered the ex-BCP mutineers development assistance, such as roads, bridges, power stations, schools and hospitals and businesses opportunities, including mining and lumber concessions and border trade.

Than Shwe, then Vice Chairman of the SLORC and accompanied by Khin Nyunt, visited Beijing in October 1989 and laid the foundations for the current partnership between the two countries. The visit also marked a departure from Myanmar's past practice on arms imports, i.e., that it eschewed large arms purchases from the superpowers pursuant to a policy of strict neutrality (Jannuzi, 1998:198-199). The SLORC apparently launched an ambitious plan to enlarge and modernize the *tatmadaw*, the Myanmar armed forces, by late 1988 or early 1989 with heavy reliance on Chinese armaments (Selth, 1996:19). At the same time, the military leaders successfully extracted a promise of economic and technical cooperation from China.

Unless China's diplomacy toward Myanmar changed and the BCP broke up, the power ownership and structure might not have been the same as it is at present. Arms transfers and economic ties have dramatically increased China's influence on and within Myanmar. Indeed, a few years of military and economic aid have turned the non-aligned

state of Myanmar into China's closest ally. Now, the military government is effectively dependent on China for its survival and some analysts say it has become a Chinese client state (Ott, 1998:71-72).

1.2 Japan and Myanmar

When the residence of Ne Win, former strongman throughout the socialist period, was surrounded by a military squad on March 4, 2002, he told his favorite daughter Sandar Win to call the Japanese ambassador in Yangon for help. Eventually, an alleged plot to overthrow the government by Sandar Win's husband was uncovered. Ne Win was put under house arrest and died nine months later. At the last moment, when he stood at a precipice, Ne Win sought help from the Japanese government. The anecdote implies Ne Win's personal attachment to the Japanese authorities.

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 the Ne Win era (1962-1988). Throughout the critical economic periods following the military coup of 1962, only the Japanese ambassador out of the whole diplomatic corps had continuous access to Ne Win (Steinberg, 1990:57; Nemoto, 2007:103). In addition to the "Thirty Comrades," many ministers and higher-ranking government officials in the Ne Win regime were also educated by Japanese army officers and civilians, and spoke Japanese to varying degrees. For example, Sein Lwin, who succeeded Ne Win in July 1988 and took the office of president for only 17 days, also spoke Japanese to a fair degree.

On the Japanese side, there was what had been informally called a "Burmese lobby" in Tokyo (Steinberg, 1990:59). The Burmese lobby included such figures as Nobusuke

Kishi, former prime minister; Shintaro Abe, former foreign minister; Watanabe Michio, successor to the Nakasone faction of the ruling Liberal Democratic Party (LDP); and Yoshiko Yamaguchi, an LDP member and close friend of Ne Win. Four Japanese prime ministers officially visited Myanmar in the 1960s and 1970s, while Ne Win visited Japan several times.

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 countries.

Japanese economic assistance to Myanmar began in the form of war reparations in 1955.⁵ In 1968 Japan provided for the first time a loan of 10.8 billion yen, as more genuine economic assistance. Since then, Japan has introduced more diversified modes of economic assistance to Myanmar, such as general grants in 1975, cultural grants in 1976, grants for increased food production in 1977, and debt relief in 1979.

Japan's ODA to Myanmar rapidly increased from the latter half of the 1970s, when the Ne Win government relaxed its strict neutralist foreign policy and opened up to more official overseas assistance in order to overcome the country's economic and political crisis of the mid-1970s. In 1976 the Burma Aid Group⁶ met for the first time in Tokyo. Following the donors' meeting, official inflows to Myanmar increased sharply (Figure 1). Between 1978 and 1988, Myanmar received US\$3,712.3 million in assistance, a sum equivalent to 15.1% of Myanmar's total imports for the same period (Kudo and Mieno, 2007:5). It is widely believed that without such huge aid the Ne Win regime could not have survived the several economic crises of the 1970s and 1980s.

Yen loans constituted a major part of Japan's ODA. Table 1 shows the provision of

Japan's loans to Myanmar. Until 1975, yearly provision of such loans ranged from 5 to 10 billion yen; in 1976 there was a jump to almost 30 billion yen; in 1982 the amount reached 40 billion yen and in 1984 a peak of 46 billion yen was recorded. The figure remained over 30 billion yen in 1985 and 1987, but faced an abrupt suspension in 1988. 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.⁷ Thus, Japan's ODA strengthened its bilateral relations with Myanmar.⁸

Figure 1: ODA received by Myanmar

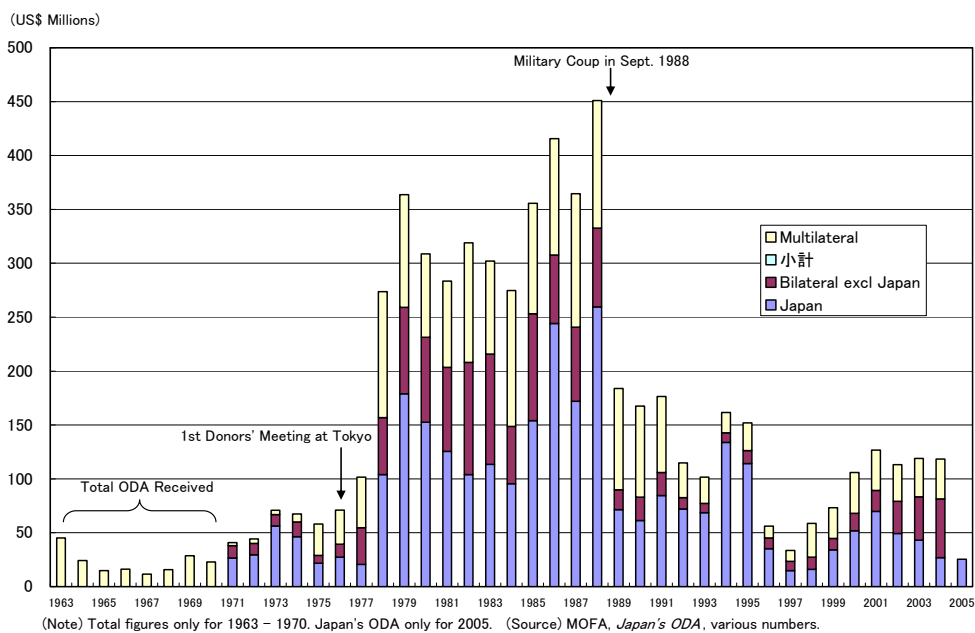


Table 1: Japan's ODA Loans to Myanmar

FY	Total (Billion)	FY	Total (Billion)
1968	10.80	1979	26.96
1969	0.00	1980	31.50
1970	0.00	1981	34.52
1971	8.22	1982	40.25
1972	6.65	1983	43.02
1973	4.62	1984	46.14
1974	0.00	1985	36.15
1975	6.50	1986	0.00
1976	29.95	1987	32.90
1977	28.54	1988-present	0.00
1978	16.25	Total	402.97

(Note) FY stands for Fiscal Year.

(Source) MOFA, *Japan's ODA*, various numbers.

2. THE NEW INTERNATIONAL AND REGIONAL POLITICAL LANDSCAPE

The birth of the military government in 1988 almost coincided with the end of the Cold War, which dramatically changed the international and regional political landscape surrounding Myanmar. 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.

First, the United States ceased to prop up allied authoritarian governments in developing countries (Cingranelli and Richards, 1999:513). The United States no longer needed to support undemocratic and/or corrupt governments in developing countries just because they belonged to the Western bloc. Accordingly, 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.

Second, as mentioned previously, China relented on its dual-track foreign policy toward Myanmar, in which it had formerly endorsed party-to-party relations between

the CCP and the BCP in addition to state-to-state relations. This paved the way for a later strengthening of political and economic relations between Yangon and Beijing.

Third, Thailand also strengthened its ties with the newly-born military government, by abandoning its secret strategy of using the Karen and other ethnic insurgents deployed along the border areas as a buffer against the Myanmar army and the BCP. Chatichai Choonhavan, then Thailand's Prime Minister, stated before the Foreign Correspondents' Club in December 1988 that Indochina must be transformed from a war-zone to a peace-zone linked with Southeast Asia through trade, investment, and modern communications (Buszynski, 1989:1059). "Change the battle field to a commercial field" had become a Thai vision for regional cooperation in mainland Indochina. Thus, two big neighbors, China and Thailand, welcomed the birth of the military government in Myanmar.

Fourth, the SLORC initiated an open-door policy by liberalizing external trade, legalizing cross-border trade with neighbors⁹ and accepting foreign direct investment on Myanmar soil, and officially abandoning the "Burmese Way to Socialism." Myanmar opened its door to the rest of the world in the midst of globalization, which was one of the direct effects of the end of the Cold War (Cingranelli and Richards, 1999:515).

3. FACTORS THAT AFFECTED CHINA/JAPAN AND MYANMAR RELATIONS AFTER 1988

All of these events that occurred in the new international political landscape eventually impaired the special relationship between Japan and Myanmar, and strengthened the relationship between China and Myanmar. In this section, the author

examines how these events actually affected the relations between China/Japan and Myanmar.

3.1 Changes in Japan's ODA Policy

The first event that weakened relations between Japan and Myanmar was Japan's suspension of ODA. Japan suspended its foreign aid to Myanmar following the military coup in 1988, as other major donors did. 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. 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.

Why did Japan not resume full-fledged foreign aid to Myanmar? Some say that 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. This must be at least partly true. 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 ineffective (Oishi and Furuoka, 2003:904-906).

However, the Japanese ODA policy also changed in the post-Cold War era to be more sensitive to so-called universal values, such as human rights, freedom, the rule of law, democracy and the market economy. 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.¹⁰

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 newly-born 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.¹¹ 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 SLORC initiated the ethnic ceasefire policy in 1989.¹² What had changed more than the actual human rights conditions in Myanmar were the international and Japan's criteria on human rights.

Recently, the Japanese Ministry of Foreign Affairs has coined some new slogans, namely, "value-oriented diplomacy" and "the arc of freedom and prosperity," by which Japanese diplomacy has put even more emphasis on universal values, including human rights and democracy.¹³ Thus, the "special relationship" between Japan and Myanmar 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.

3.2 Myanmar's Open-door Policy and Enhanced Trade with China

The open-door policy adopted by the military government substantially increased Myanmar's external trade throughout the 1990s and the first half of the first decade of the twenty-first century. Its exports increased by 14.4 times for the period between 1985 and 2006 and imports grew by 13.8 times over the same period (IMF *DOT*).

As Myanmar's trade volume grew, its geographical trade pattern also changed. Myanmar has strengthened its trade relations with neighboring countries, in particular China and Thailand. During the socialist period, donor countries such as Japan and West Germany were Myanmar's major trading partners due to aid-driven trade. However, it is natural that given the distances involved, Myanmar should trade with its immediate neighbors rather than with far-off western countries and Japan.

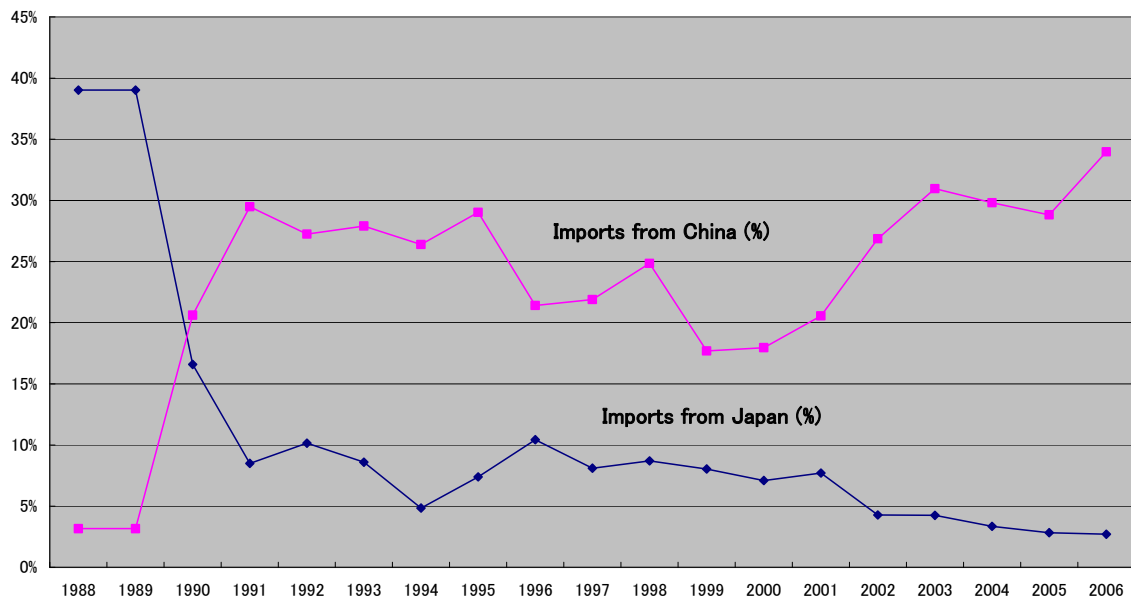
China occupied a particularly important position in Myanmar's external trade after 1988. Table 2 and Table 3 show Myanmar's major trading partners and indicate that China has constantly occupied a high rank since 1988. Soon after the border trade was opened in 1988, China suddenly appeared in trade statistics as a major supplier of commodities and goods to Myanmar. The import share of Chinese goods in Myanmar's total imports rose from about one-fifth in 1990 to about one-third in 2006. On the contrary, Japan's share in Myanmar's total imports remarkably declined from 39% in 1988 to only 2.7% in 2006. Japan's imports were mainly induced from supplies related to its economic cooperation programs. Japan's suspension of ODA accordingly reduced its exports to Myanmar. Figure 2 clearly shows that the role of Japan as a major supply source was completely replaced by China during the SLORC/SPDC period.

Table 2: Myanmar's Major Export Partners

	1980		1988		1990		1995		2000		2006	
1	Singapore	14.3%	Africa	19.7%	Africa	14.3%	Singapore	16.0%	USA	22.4%	Thailand	49.0%
2	Africa	10.6%	Singapore	9.7%	Thailand	12.0%	India	12.2%	Thailand	11.8%	India	12.1%
3	Japan	9.9%	Hong Kong	9.1%	Singapore	11.3%	China	11.3%	Africa	8.6%	Africa	5.8%
4	Indonesia	9.5%	Japan	8.4%	India	10.8%	Africa	9.3%	India	8.2%	China	5.3%
5	Hong Kong	7.6%	Indonesia	7.0%	China	8.1%	Indonesia	8.0%	China	5.7%	Japan	5.1%

(Source) IMF, *Direction of Trade*.**Table 3: Myanmar's Major Import Partners**

	1980		1988		1990		1995		2000		2006	
1	Japan	43.7%	Japan	39.0%	China	20.6%	Singapore	29.9%	Thailand	18.3%	China	34.0%
2	UK	8.8%	UK	9.1%	Singapore	17.9%	China	29.0%	China	18.0%	Thailand	21.4%
3	Germany	7.4%	Germany	6.7%	Japan	16.6%	Malaysia	10.8%	Singapore	15.8%	Singapore	15.8%
4	Singapore	6.1%	USA	6.0%	Germany	4.8%	Japan	7.4%	South Korea	10.5%	Malaysia	4.6%
5	USA	5.0%	Singapore	5.8%	Malaysia	4.7%	South Korea	4.1%	Malaysia	8.4%	South Korea	4.0%

(Source) IMF, *Direction of Trade*.**Figure 2: Myanmar's Imports from China and Japan, Share (%)**(Source) IMF, *Direction of Trade*.

3.3 China's Economic and Business Cooperation

China also replaced the role of Japan as a major donor. China apparently provided a huge amount of economic assistance to Myanmar, although it does not disclose detailed figures.¹⁴ Note also that some Chinese economic cooperation programs are nothing

more than commercial-based businesses.

Gathering information from press reports, China's economic cooperation with Myanmar seems to have expanded around 1997 when the United States imposed the first economic sanctions that banned new foreign investments by United States firms. Moreover, Senior General Than Shwe's state visit to Beijing in January 2003 marked another epoch, when China offered Myanmar a preferential loan amounting to US\$200 million and a RMB 50 million grant (equivalent to US\$ 6.25 million). Just after China's commitment, the so-called "Black Friday" of May 30, 2003 occurred and provoked the United States to impose the second round of sanctions in July 2003, including an import ban on all Myanmar-made products. Thus, China stepped into and filled the vacuum that was created by Western sanctions and Japan's suspension of ODA.

It is said that China's foreign aid, or economic cooperation, is motivated by two main objectives; namely, to secure a favorable neighboring environment and to secure natural resources, energy in particular (Kobayashi, 2007J). Both objectives are critically important for the Chinese economy to grow and to become a global economic power, and Myanmar meets their criteria. Accordingly, Myanmar is one of the major recipients of Chinese economic cooperation (Table 4). It was the third-largest recipient of Chinese economic cooperation in 2000, receiving US\$186.7 million and the ninth largest in 2005, receiving US\$289.8 million --- which was about three times more than the total amount of assistance provided by the DAC member countries in the same year.¹⁵

Table 4: China's Economic Cooperation, 2000 and 2005

(US\$ Million)

	2000			2005		
	Country	Turnover	Resources	Country	Turnover	Resources
1	Pakistan	329.4	coal, gas	Sudan	1342.8	oil, gas
2	Bangladesh	231.2	coal, gas	Nigeria	799.9	oil, gas
3	Myanmar	186.7	oil, gas	Pakistan	751.4	coal, gas
4	Sudan	118.8	oil, gas	Bangladesh	614.0	coal, gas
5	Mali	105.1	gold	Indonesia	534.6	oil, gas
6	Yemen	97.9	oil, gas	India	412.9	coal, iron ore
7	Laos	93.7	potassium	Angola	305.7	oil, diamond
8	Zimbabwe	87.6		Vietnam	299.2	bauxite, coal
9	Vietnam	87.5	bauxite, coal	Myanmar	289.8	oil, gas
10	Sri Lanka	63.6		Egypt	276.5	oil, gas

(Source) Adopted from Kobayashi [2007:130].

Having been enhanced and promoted by China's economic cooperation programs, Chinese enterprises are heavily involved in Myanmar's industrial, infrastructure and energy development. In particular, Myanmar's oil and gas reserves have attracted energy-hungry China's attention. However, China's presence in Myanmar's oil and gas fields has been observed only recently. The China National Offshore Oil Corporation (CNOOC) signed six contracts on production sharing with the Myanmar Oil and Gas Enterprise (MOGE) of the Ministry of Energy from October 2004 to January 2005.¹⁶ The China Petroleum and Chemical Corporation (SINOPEC) and its subsidiary Dian Quiangui Petroleum Exploration also work the inland fields. Moreover, the China National Petroleum Corporation (CNPC) and its subsidiary Chinnery Assets also won contracts to upgrade the four old oilfields in central Myanmar.

Another big project is China's plan to build a gas pipeline from the Shwe field off the coast of Rakhine State of Myanmar to Yunnan Province of China. The Shwe field holds a gas reserve of 4 to 6 trillion cubic feet (TCF). The China National United Oil Corporation (CNUOC), Myanmar and a consortium, led by South Korea's Daewoo International, India's ONGC Videsh and the Gas Authority of India (GAIL) signed an export gas sales and purchase agreement in December 2008. The contract agreement is

effective for 30 years and it is estimated to start supplying gas to China in 2013.¹⁷

Myanmar already exports natural gas to Thailand through the pipeline and its gas exports reached US\$3.14 billion in 2008, becoming by far its largest foreign reserve earner. Myanmar will have another big source of foreign earnings from gas exports to China in the near future. China will be critically important for Myanmar not only as a supplier of goods and commodities, but also as an export market.

4. CONCLUSION

Against the background of closer diplomatic, political and security ties between China and Myanmar after 1988, their economic relations have also grown stronger. China is now a major supplier of consumer goods, durables, machinery and equipment, and intermediate products to Myanmar. Without the massive influx of Chinese products, Myanmar's economy could have suffered even more severe shortages of commodities after the cutoff of Western and Japanese ODA, and economic sanctions imposed by the United States and the EU. China also offers markets for Myanmar's exports, such as timber and gems at present, and natural gas in the future.

China also provides a large amount of economic cooperation and commercial-based financing in the areas of industrial and infrastructure development and oil and gas exploitation. Without Chinese long-term low interest loans, Myanmar could not have implemented its massive construction of state-owned factories, or the new capital "Naypyidaw". Chinese enterprises may soon be the major players in the booming oil and gas sector. There is no doubt that Myanmar's economy is now heavily dependent on economic ties with China.

However, its lopsided trade with China has failed to have a substantial impact on Myanmar's broad-based economic and industrial development. About seventy percent of Myanmar's exports to China is timber in the form of logs or roughly sawn timber. Timber exports are no more than exploitation of a limited natural resource that happened to remain untapped during Myanmar's past as a closed economy. Moreover, Chinese firms may exploit natural resources in Myanmar excessively, without considering environmental sustainability.¹⁸

China's economic cooperation and commercial loans apparently support Myanmar's military government, but their effects on the whole economy will be limited under an unfavorable macroeconomic environment and distorted incentives structure. In particular, the newly built state-owned factories may become a burden on Myanmar's budget and eventually represent bad loans for Chinese stakeholders. Myanmar's debt arrears accumulated to US\$100 million by 2003 and in 2005 the China Export & Credit Insurance Corporation (SINOSURE)¹⁹ rated Myanmar at eighth of nine in country risk ratings, which was the second worst (Bi, 2008J). Both Myanmar and Chinese stakeholders, including their taxpayers, may have to pay the debts at the end of the day.

In contrast to the China-Myanmar relationship, Japan-Myanmar relations have become weakened and cooled since 1988. In the new international and regional reality following the end of the Cold War, such events as changes in Japan's foreign aid policy, Myanmar's open-door policy and attendant enhanced trade relations with its neighbors, and China's emergence as a supporter of Myanmar's economy, eventually resulted in estrangement between Japan and Myanmar.

The Myanmar government is no longer dependent on Japan's ODA for its survival. They have alternative financial resources, such as China's economic cooperation and

gas export earnings. The Japanese government is no longer willing to provide foreign aid to the military government under the new ODA guidelines. Myanmar's open-door policy significantly increased trade between Myanmar and its neighbors, in particular China and Thailand, while reducing the importance of Japan as a supply source of imports. In a new hostile international environment, Myanmar's economy has become more and more dependent on China.

What prospects can we then envisage for a future relationship between China/Japan and Myanmar? The international community recently criticized China for its engagement with Myanmar's military government. China observes strict non-intervention in the internal affairs of foreign countries, and provides its economic assistance regardless of whether the recipients are democratic or not. Some say that China's economic assistance allows Myanmar's military government to survive amid Western ostracism and forgo any meaningful political and economic reforms.

However, China is now under international pressure, which urges the Chinese government to act as a more responsible economic power and major donor, and to follow the rules and norms of the international donor circle. Unfortunately, there is at present little expectation that Myanmar's military government will change their authoritarian behavior in favor of a more democratic polity, with more respect for human rights and political freedom. Under such conditions, China is the only country that can influence Myanmar's government in its political and diplomatic attitude. China should consult other members of the international community including the United States, the Association of Southeast Asian Nations (ASEAN), the EU and Japan, and exert its influence on Myanmar toward national reconciliation and economic development.

On the other hand, Japan substantially lost its influence on Myanmar since 1988. Worse still, Japan seems to be losing its influence on the Myanmar issue within the international community, as it has occupied a vague position between sanction allies, such as the United States and the EU, and the constructive and economic engagement allies, such as China, India and Thailand. Japan tried to bridge the gap between them; however, it was caught in the gap rather than filling it. Instead of acting as a mediator, the Japanese government sometimes wavered from one camp to the other.

Nevertheless, this does not mean that there is no role for Japan in the international community. On the contrary, Japan has its own important role to play, which is to provide accurate information on Myanmar's politics, economy, society and history to the international society. The Japanese government, business circles and academics have accumulated knowledge on Myanmar since as early as the pre-World War period. Such knowledge will definitely contribute to a better understanding of the Myanmar issue, and may moderate some extreme opinions and policies.

Two policy extremes have thus far dominated the international political arena, and failed to promote either national reconciliation or economic development in Myanmar, namely, economic sanctions and economic cooperation without considering the governance of the recipient. Japan can provide rich and objective knowledge to both extremes, and possibly moderate them. The role of Japan is therefore to function as an information source and to contribute to producing a moderate, constructive and consistent policy consensus on the Myanmar issue in the international community.

Last but not least, China and Japan should exchange opinions, views and information on the Myanmar issue, so that they can produce a more coordinated, consistent and effective political, diplomatic and economic policy toward Myanmar.

ENDNOTES

- ¹ See Nemoto (1993J:12-14) and (2007:100-103) for details on the special relationship between Myanmar and Japan. Takashi Suzuki, former Japanese ambassador to Myanmar from January 1971 to June 1974, also wrote in his book that Japan had a sort of special historical relationship with Burma (Suzuki, 1977J:214).
- ² See Tanabe (1990J) for details of the “Thirty Comrades.”
- ³ For details see Lintner (1990, 1994 and 1998).
- ⁴ Lintner (1990:45) reports that a major reason why the mutiny did not happen earlier was that the ordinary soldiers and local commanders were uncertain of China’s reaction to such a move.
- ⁵ See Steinberg (1990) and Kudo (1993J and 1998:161-169) regarding Japan’s ODA policy and performance toward Myanmar.
- ⁶ Japan, then West Germany, the United States, the United Kingdom, France, Canada, Australia and major international development banks and organizations held the first donors’ meeting in Tokyo in 1976 under the auspices of the World Bank.
- ⁷ Myanmar’s ranking in Japan’s ODA recipients is as follows: 9th in 1976, below 10th in 1977, 4th in 1978, 1979 and 1980, 6th in 1981, 1982 and 1983, 7th in 1984, 5th in 1985 and 1986, 8th in 1987 and 7th in 1988.
- ⁸ It is an anomaly that such a huge amount of Japanese ODA was provided to an underdeveloped economy with little Japanese commercial interests. There are several reasons for this besides the “special relationship.” See Steinberg (1990), Seekins (1992) and Kudo (1998) for these reasons.
- ⁹ Insurgent ethnic minorities, in particular Karen rebels, had played a major role in smuggling through cross-border transactions between Myanmar and Thailand during the socialist period. The legalization of cross-border trade between the two countries was made possible by the Thai government’s policy shift in favor of Yangon over ethnic rebels in border areas.
- ¹⁰ The ODA Charter was revised in August 2003. The English translation is available at Japan’s Ministry of Foreign Affairs website. (<http://www.mofa.go.jp/policy/oda/reform/charter.html>).
- ¹¹ Personal communication with a Japanese diplomat who had responsibility for Myanmar, on June 21, 2007.
- ¹² For example, see Smith (1999).
- ¹³ See the speech “Arc of Freedom and Prosperity: Japan’s Expanding Diplomatic Horizons” by Mr. Taro Aso, then Minister for Foreign Affairs, on the Occasion of the Japan Institute of International Affairs Seminar on November 30, 2006. The text of the speech is available at the website of the Japanese Ministry of Foreign Affairs (<http://www.mofa.go.jp/announce/fm/aso/speech0611.html>).
- ¹⁴ China is not a member country of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), and it is not obliged to report economic cooperation programs to the DAC. The Myanmar government does not disclose their receipt of

economic cooperation from abroad, either.

¹⁵ Note however that the definition of Chinese economic cooperation must be different from that of the DAC.

¹⁶ Information is from *The New Light of Myanmar*, *Myanmar Alin*, *Myanmar Times* and so forth.

¹⁷ Reported by the Xinhua News Agency.

¹⁸ For example, see Global Witness (2005).

¹⁹ SINOSURE is the only policy-oriented Chinese insurance company specializing in export credit insurance. It started operation on December 18, 2001. SINOSURE offers coverage against political risks and commercial risks (SINOSURE Homepage, accessed on February 2008).

REFERENCES

English

- Buszynski, Leszek (1989) "New Aspirations and Old Constraints in Thailand's Foreign Policy," *Asian Survey*, Vol.29, No.11, November 1989, pp.1057-1072.
- Cingranelli, David L. and Richards, David L. (1999) "Respect for Human Rights after the End of the Cold War," *Journal of Peace Research*, Vol.36, No.5 (September, 1999), pp.511-534.
- Global Witness (2005) *A Choice for China: Ending the destruction of Burma's northern forests*, available at <http://www.globalwitness.org/reports/show.php/en.00080.html>.
- Jannuzi Frank S. (1998) "The New Burma Road (Paved by Polytechnologies?)" in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.
- Kudo, Toshihiro (1998) "Political Basis of Economic Policies under Burmese Socialism," *Southeast Asian Studies*, No.4, Tokyo University of Foreign Studies, pp.139-177.
- (2007) "Myanmar and Japan: How Close Friends Become Estranged" IDE Discussion Paper Series No.118, Institute of Developing Economies, JETRO, available at <http://www.ide.go.jp/English/index4.html>.
- (2008) "Myanmar's Economic Relations with China: Who Benefits and Who Pays?" in Skidmore, Monique and Wilson, Trevor eds., *Dictatorship, Disorder and Decline in Myanmar*, ANU E Press, The Australian National University: Canberra.
- Kudo, Toshihiro and Fumiharu Mieno (2007) "Trade, Foreign Investment and Myanmar's Economic Development during the Transition to an Open Economy" IDE Discussion Paper Series No.116, Institute of Developing Economies, JETRO, available at <http://www.ide.go.jp/English/index4.html>.
- Lintner, Bertil (1990) *The Rise and Fall of the Communist Party of Burma (CPB)*, Ithaca: Southeast Asian Program, Cornell University.
- (1994) *Burma in Revolt: Opium and Insurgency since 1948*, Boulder, San

- Francisco, Oxford and Bangkok: Westview Press and White Lotus.
- (1998) "Drugs and Economic Growth: Ethnicity and Exports" in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.
- Ministry of Foreign Affairs (MOFA) (2003) *Japan's Official Development Assistance Charter* (Unofficial Translation), available at the website of the Japanese Ministry of Foreign Affairs (<http://www.mofa.go.jp/policy/oda/reform/charter.html>).
- , *Japan's ODA* (White Paper), various numbers.
- Nemoto, Kei (2007) "Between Democracy and Economic Development: Japan's Policy toward Burma/Myanmar Then and Now," in Ganesan N. and Kyaw Yin Hlaing eds., *Myanmar: State, Society and Ethnicity*, Institute of Southeast Asian Studies (ISEAS) and Hiroshima Peace Institute (HPI), Singapore: ISEAS Publishing, pp.96-108.
- Oishi, Mikio and Furuoka, Fumitaka (2003) "Can Japanese Aid Be an Effective Tool of Influence? Case Studies of Cambodia and Burma," *Asian Survey*, Vol.43, No.6, November-December 2003, pp. 890-907.
- Ott, Marvin C. (1998) "From Isolation to Relevance: Policy Considerations" in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.
- Seekins, Donald M. (1992) "Japan's Aid Relations with Military Regimes in Burma, 1962-1991: The Kokunaika Process," *Asian Survey*, Vol.32, No.3, March 1992, pp.246-262.
- Selth, Andrew (1996) *Transforming the Tatmadaw: The Burmese Armed Forces since 1988*, Canberra Papers on Strategy and Defence No. 113, Strategic and Defence Studies Centre, Research School of Pacific and Asian Studies, the Australian National University, Canberra.
- Smith, Martin T. (1999) *Burma: Insurgency and the Politics of Ethnicity*, Dhaka, Bangkok and London: The University Press Ltd., White Lotus and Zed Books.
- Steinberg, David I. (1990) "Japanese Economic Assistance to Burma: Aid in the "Tarenagashi" Manner?" *Crossroads*, Volume 5, Number 2, Center for Southeast Asian Studies, Northern Illinois University, pp. 51-107.

Tin Maung Maung Than (2003) “Myanmar and China: A Special Relationship?” in *Southeast Asian Affairs 2003*, Singapore: Institute of Southeast Asian Studies.

Japanese

工藤年博 (1993J) 「日本の対ビルマ援助政策の変遷と問題点」(『通信』79号、東京外国語大学アジア・アフリカ言語文化研究所、1993年)

Kudo, Toshihiro (1993J) “Japan’s ODA Policy toward Myanmar: Changes and Challenges,” *Tsushin*, Research Institute for Languages and Cultures of Asia and Africa (ILCAA), Tokyo University of Foreign Studies (TUFS).

小林誉明 (2007J) 「中国の援助政策—対外援助改革の展開—」(『開発金融研究所報』第35号、2007年10月) 109～147ページ。

Kobayashi, Takaaki (2007J) “China’s Foreign Aid Policy: Development and Reforms,” *Journal of JBIC Institute*, No.35, October 2007, pp.109-147.

鈴木孝 (1977J) 『ビルマという国—その歴史と回想—』国際PHP研究所。

Suzuki, Takashi (1977J) *A Country Called Burma: Its History and Memoir*, Tokyo: PHP Research Institute.

田辺寿夫 (1990J) 『アウンサン將軍と三十人の志士—ビルマ独立義勇軍と日本—』中公新書。

Tanabe, Suzuo (1990J) *General Aung San and Thirty Comrades: Burma Independence Army and Japan*, Tokyo: Chuko-Shinsho.

根本敬 (1993J) 「「日本とビルマの特別な関係」？—対ビルマ外交に影を落としてきたもの—」(『通信』77号、東京外国語大学アジア・アフリカ言語文化研究所、1993年)。

Nemoto, Kei (1993J) “Special Relationship between Japan and Burma: An Influence on Japan’s Diplomacy toward Burma?” *Tsushin*, Research Institute for Languages and Cultures of Asia and Africa (ILCAA), Tokyo University of Foreign Studies (TUFS).

畢世鴻 (2008J) 「ミャンマーと中国の経済協力関係」(工藤年博編『ミャンマー経済の実像—なぜ軍政は生き残れたのか』アジア研選書 No.12、アジア経済研究所)。

Bi, Shihong (2008J) “China’s Economic Cooperation with Myanmar” in Kudo, Toshihiro ed. *An Investigation into the Myanmar Economy: How the Military Government Has Survived*” (in Japanese) IDE Selection No. 12, Chiba: Institute of Developing Economies, JETRO.

Newspapers

Myanmar Alin (the state-run daily Burmese newspaper)

Myanmar Times (the weekly English magazine)

The New Light of Myanmar (the state-run daily English newspaper)

Statistics

International Monetary Fund (IMF) (various issues) *Direction of Trade (DOT)*.