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## Japan's Aid Assistance to Myanmar

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### **Abstract:**

*Japan had helped Myanmar in the revival of the devastating economy. They had invested with the mean of returns; she wants them to purchase their goods, setting up of industries to generate profits. At the time of colonization and imperialism it had attracted many countries as it was rich in natural resource. In the 21<sup>st</sup> century the trade had been decreased because of Japanese businessmen fault as they always made good relationship with the Myanmar government and not with the local people. By the time china started dominating the market by their cheap goods but Myanmar will always have soft corner for Japan as they had helped them in the worst time.*

**Keywords:** Aid, reparation, automobile, donor, war, economy, goods

### **1. Introduction**

Myanmar was a colony of British and it was one of the most extensive sites for the Pacific campaign. It is officially known as Myanmar from Burma since 1989. Historically Japan had traditionally viewed Myanmar a country with great economic potential and one of the wealthiest countries in the South East Asia. It has significant deposits of minerals like gemstones, jade, tin, silver, tungsten, the world largest tropical teak forests wood and offshore fisheries and dramatically the volume of Japanese aid expanded. The physical destruction was estimated 175 million US dollar in the war and after Independence internal rebellion began from the left and ethnic from the minority groups. Aung San wrote Myanmar should never be dependent on foreign assistance so he signed a peace treaty with Japan on 5 Nov 1954 to supply reparations and later economic cooperation although it was planned to limit the reparations. Since WWII both the countries had good relation because Japanese military had trained Aung san and Ne Win and also trained the thirty comrades which had been an important spun to Burmese independence and it became assistance in the anti-colonial struggle. Japan and Myanmar relation peak during 1970-80's in terms of economic assistance and price of goods were triple than the domestic wage of Japan which was objected. Japan the major donor in the South East Asia and to get market for Japanese products were the partial motivation for all reparations program with the name of aid and it got tie to the provision of Japanese goods and services. Myanmar was a country of unexplored resources which attracted many others. Ne Win from 1948 to 1962 had good relation with Japan his period had received a huge amount of aid assistance and the good connections between them helped the Japanese companies to conduct their business activities. In 1961 to 1972 Burmese economy was deteriorated due to the dropped of rice export and this was the harsh time when Japan emerged as the major source of assistance.

### **2. Japan Aid to Myanmar**

Japanese aid began with reparation and continued for 35 years of support overall with their policies and political context. Japan completely depends on foreign resource of oil and in future there is possible of rice shortage which Myanmar both the ways fit into it. It did not fell into any interest of US or Soviet and this was the reason, Japanese officials felt a special responsibility for assisting. Japan provides railway rolling stock, electrical equipment, machinery, vehicles of all types and the most important reparation project was the hydroelectric installation in the Kayah state. Japanese understand about the Burmese sensitivities and fear of foreign interference in their internal political and economic affairs. Donors seemed attracted to Myanmar due to its poverty and last exotic major nation in the Asia. The total aid became 178 million US dollar and by 1980s it became the 4<sup>th</sup> largest recipients of ODA. In 1986 Japanese aid peaked to 244 million US dollar and represented 6.3 per cent of all Japanese assistance. At the same time there was economic crisis; prices of all legally exports declined, foreign debt mushrooming, imports were cut drastically and the Government needed their assistance whereas the business community of Japan running out of money.

Myanmar contact Japan for aid and also made cleared by 12 firms including Mitsui and Mitsubishi that no other countries of South East Asia will take economic advantage of this situation. It was extremely difficult to ascertain the total amount of Japanese assistance to Myanmar since the Peace treaty of 1954. Japanese aid for two decades has sustained the military regime despite the toughest of financial crisis which leads to the critical living of the civilian. It was one of the world highest Aid of 2.2 billion US dollar to

Myanmar. Japanese support was provided with strategic of own benefits economically, politically and developmental policies, it was embraced and the role as economic power was very recently realized. Until 1990, the Japanese government had adopted five provisions to assist.

1. In 1954 the decision to provide war reparations in conjunction with the peace treaty.
2. In 1960s the decision to move from reparation to economic cooperation.
3. In 1970s the decision to increase economic support to some tenfold.
4. In 1988 the decision to enter into a policy dialogue with the Myanmar warning about the need for economic reforms.

Kinwun Mingyi a scholar wrote about the historical relationship between Japan and Myanmar that many years ago in 1899 through seaborne the direct trade began with the exchange of rice and sugar. At the beginning of 20<sup>th</sup> century Japan extended trading to Myanmar by entering ships to Rangoon and most importantly it had competition with Europeans in Myanmar rather than with indigenous people. Also the Japanese company used individual relationship to run their business quickly and further increase the sale of their goods. The trade was direct sale of Japanese sample goods and also it shared 50 per cent of the profits to Myanmar. There was also cooperation between the countries to drag the British out of the territory. A huge amount of Japanese aid assistance was provided to support the economic situation and encouraged to play a vital role in Myanmar economy and some of the main roles were.

1; Aid Assistance and trade exchange for war reparation in Japan provide 250 million US dollar in 1955 and another 140 million US dollar in 1963. During the 1970s many kind of economic assistance were provided such as general grants, cultural grants, grants for food production and debt relief with social life improvements. Ne Win government was criticized since it had survived only because of the huge aid from Japan. The amount of the assistance had a correlation with the rise in Japanese commodities and it had the highest value of imported goods and the aid assistance paved the way for investment in Myanmar. Under the agreement of economic development corporation, they had joint the construction of two textile mills with the installation of 40000 weavers looms and 400 weaving machines. It has become the basic source of Industrial machinery. There were four automobiles companies Hino, Mazda, Kubota and Matsushita all these were given contracts for supply of components. The public transport companies used second hand Japanese buses and were imported for public transportation. Myanmar discovered three new oil fields and two gas fields; the exploration was extended to offshore areas with Japanese assistance. Under the military Junta it was strict and risky for foreign investors but Japan avoided these risks and had played a significant role in Myanmar's economy under the umbrella of Japanese government assistance fund. After the political crisis in 1988 the Japanese Government suspended the loans but companies do not want to lose their investments. The investors officially requested to float the aid from Japan despite having aid assistance from 1950s to 1980s which did not make a big change in the country economic.

2. In 1948 after independence, the nature of Myanmar economy had changed as the AFPFL (anti-fascist people freedom league) in 1948-58 had issued to limit the foreign business activities and turned into the hands of Indigenous people. Now 90 per cent firms were controlled by Myanmar and only 3.5 per cent were foreign owned. Economic cooperation between both the governments created smooth relationship for the Japanese Businessmen.

3; Japan gone along with foreign donor community in cutting off aid after the Myanmar political crisis in 1988 which was against the Japanese business group, the investors were going to lose money of their investment if the aid policy was changed. It has been discussed that the long Japanese assistance was not reaching the people and failed to support the Myanmar growth but created market for Japanese companies through procurement contracts.

4; Japans Attitude can be discussed with three reasons. First, Japan conducted policy by focusing on economics without interference with their internal affairs. Second, Japan investors lacked in cooperation with private Myanmar transitions. Third Japan did not link geographically to Myanmar opening up their economies with neighbourhood countries.

Japanese aid was the major foreign bilateral and multilateral mainstay in Myanmar for two generations which remained in power and also it was the darkest economic periods. Japanese support was provided within the context of political, economic and development policies. The economic assistance which came from other regions was different but the colonial Myanmar consists of society of immigrations and investors. On 5 Nov 1954 the union of Myanmar signed a treaty with Japan she agreed to supply reparations, later economic cooperation and also try to limit its support to 100 million US dollar. The purpose to supply goods and services were under reparation, economic rehabilitation, development and the advance of social welfare. The main attraction behind was the unexploited and even unexplored natural resources of Myanmar. Reparations were no doubt a tangible symbol of Japanese apology for the war but it was more a means to promote Japanese export at that time. It was important in magnitude and in specific projects.

The magnitude of Japanese supports in which Myanmar ranked even higher than Japanese worldwide grant aid. From 1982-1985 Myanmar was the third and in 1986-1987 it was fourth to receive grant and accordingly to statistics report Japanese loan commitments since 1969 to 1989 were 402,972 million yen of which 65.1 % was in project form and 34.9 % in commodity loans. Much money had been delivered, then spent but funds used were not considered. Call for reforms also came from academic circles and now it was possible to get a clearer view of the Japanese perception of its aid programs. The discussion among the Myanmar bureaucracy that Japanese aid has failed, has not reach the people but contributed to sustained growth. Much of the Myanmar requests were generated by potential Japanese contractors and the Japanese firms were making profit from this manage factories. There was massive imbalance of trade among the Myanmar and Japan. From the project purpose much of the forest resources had been damaged and it was criticized by the Myanmar which was very valid. It needs Japanese aid but not to the degree that it had to rely on future so Japan assistance contributed to all five objectives.

- 1; It helped access to essential raw materials and helped to create a favourable climate for business.
- 2; It strengthened diplomatic relations.

3: It was a major factor in contributing to political, social and economic stability in Myanmar.

4: It demonstrated Japanese good faith to other ODA giving nations.

5: It helped to establish Japanese influence in the Myanmar region in spite of many problems but it could not be successful in overall Japanese policy terms.

It was only in 1987, that Ne Win publicly said that there was a change in economic relations and to remain in good grace Myanmar had borrowed expensive Euro dollars so that they can pay back Japanese loans and to stop its long term problems. On 27 Sep 1988, nine days after the coup, Japanese embassy noted publicly to assist in future but in order to give next assistance a new complication entered first, they need to repay the debt. By July 1989 Myanmar had to pay 100 million US dollar and report also came that some parts of the land were sold off to get 239 million US dollar. On the other hand, Japan was under great pressure internally to restart its program but it does not wish to break with the western donor community who were demanding some criteria.

### 3. Japan ODA Assistance

Khin Nyunt the former prime minister said the relation between Myanmar and Japan has been characterized by close friendships, mutual understanding and genuine good will. The good connections between the government of Japan and Myanmar helped the Japanese companies conduct their business activities. Chinese good connections with the indigenous businessmen had increased while Japan reduced its role due to the political crackdown in 1988. Japan most important ODA becomes the principle means of exerting its influence abroad and adopt kokunaika which means internationalization which became popular in 1980s and 1990s. Japan act as the major donor but Myanmar provide little direct or short time benefits for the donor nations and the highest donor was Japan, Germany and US. Japan provided more than two thirds of all bilateral ODA disbursements to Myanmar which amounted to 1.87 billion US dollar in grants and loans in the period 1973 to 1988. The largest percentage of grants and loan disbursed were in the mining, manufacturing, energy sectors, commodity loans and public works. In the kokunaiku regime foreign relations tends to be pragmatism and cultivated the relations of mutual benefits. Ne Win was reluctant to accept foreign aid and wanted to be ties with the superpowers and had cancelled Japanese aid.

Japan ODA dramatically increased since the mid-1970s. Japan was encouraged to play a vital role in Myanmar's economy in three main roles.

1. Aid assistance and trade exchange: Japan provides assistance with 250 million US dollar to Myanmar which began in the war reparation period in the year 1955-65. There was not balanced trade between them because the value of the Japanese goods imported to Myanmar was much higher than the goods exported to Japan.
2. Principle Investment: Japan was involved in other principle projects of Myanmar economy since the agreement was signed. Japan was the source of the basic industrial machinery example Baluchaung hydroelectricity power which was a reparations project. Its oil exploration was extended to offshore areas with Japanese assistance.
3. Japanese companies: During 1960s at the time of nationalization only two Japanese companies were operating and the numbers increased to fifteen by the late 1990s. Next the largest amount was the modernization of Yangon Airport.

Accordingly, to statistics report published by MITI grant and loan aid commitment's increased almost 450 per cent between the 1976 and 1977. The Japanese fiscal years and disbursements from Tokyo increased more than 500 per cent from 20.6 million US dollar in 1977 to 104 million US dollars in 1978. Such aid was natural because Myanmar had acquired least development country status from the UN in December 1987. The aid increased from 20 billion US dollar in 1960s to 200 million US dollars in the 1970s it became the highest donor to Myanmar because it is an important window of opportunities opened for Japan diplomacy towards South East Asian Countries. After military coup the ODA of Japan was suspended and new aid was limited that were of an emergency and humanitarian nature and it became the first country in Asia to receive war compensation from Japan. Post festum disclosed that Myanmar did not like the word investment; they used the word reparations but for Japanese it was investments. The fact that reparations did not consists of cash but goods and services from Japanese companies which was paid by the Japanese Government to increased exports, construction work and other business opportunities and Japanese businessmen were quick in taking advantage. One aspect of Japanese reparations to Myanmar was easy due to strong pro-Japanese feelings. At the point of time Japan did not have any conflict with Myanmar because they did not compete with them in any respects. The Japan- Myanmar trade cooperation were used to hand over sample goods for sale and Aung San also strongly believed that Japan support would improve Myanmar's economy so definitely the help of Japan was very important.

Now china has gained higher percentage of trade than Japan after the liberalized of its trade policy in 1988, Japan was defeated in terms of consumer and capital goods for Myanmar. Balance trade between Myanmar with china was better than Japan and China took advantage for their cheap goods. During the political crisis there were opening of border trades with South East Asian countries. The Japanese Influence in Myanmar economy has diminished, because of china favour geographically location but Japan could not be thrown out from Myanmar because it had supported since 1940's. It was also a top trade partners but got reduced since 21st century as one of the mistake committed by the Japanese businessmen that they did not connect and make friendly relation with the local representatives, their only focused was with the government. Aid assistance was not reaching people and failed to support its growth. Despite heavy flow of assistance, they failed to achieve their purpose, promotion of Myanmar's industrial self-sufficiency. After the political breakdown in 1988, Chinese imports were dominating and became a major trade partner.

#### 4. Conclusion

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 respects. It has been responsive to the broadest range of developmental requests from the sophisticated heart Hospital. At the initial time it was the market place for Japanese finished goods but after 1989 the market became upside down and now China overtook the market by the cheap goods. As time roll now the Japanese business and industry have demonstrated the capacity to find and exploit markets on their own benefits. Few Japanese professionals were concerned with understanding Myanmar status and fewer in the developmental terms. Myanmar had relied on the Japanese virtually since independence though today they were reluctant to admit either internally or externally but the magnitude of the assistance indicates clearly how important Japan had been. Japan has a special responsibility in its international role as the leading donor and by its efforts Myanmar had sustained at the harsh time and now on the verge of developing economy.

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