

Japanese ODA diplomacy towards Myanmar: A Test for the ODA Charter

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Introduction

In September 1988, the Japanese government, in line with other OECD donors, stopped its Official Development Assistance (ODA) to Burma in response to the military coup. Prior to this, between 1960 and 1988, Japan disbursed a total of \$2.1 billion in ODA to Burma¹, which included agreements for a total of over ¥400 billion in ODA loans (no new loan agreements were made after 1987) and over ¥95 billion in grants². Although ‘partially resumed’ in early 1989, Japanese ODA to Myanmar has remained suspended ‘in principle’.

‘The Japanese Government has suspended its aid to Myanmar, in principle, following mounting political turmoil triggered by the popular demand for democracy in 1988 and the subsequent military coup d’etat.’³

This is just one of a large number of official statements that have continued to deliberately and specifically highlight Myanmar as a ‘concrete case’ of the implementation of the 1992 ODA *taikō* (literally translated as the ODA General Framework, but referred to in English as the ODA Charter)⁴.

Myanmar is an especially interesting case study because it has become *the* East Asian country that highlights the arguments surrounding those two interlinked key issues that have become increasingly prominent since the end of

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1. In 2001 prices this was equal to about \$6 billion. Source: OECD/ DAC, “International Development Statistics Online” at <http://www.oecd.org/dataoecd/50/17/5037721.htm>, visited on 23 September 2004.

2. Based on the Exchange of Notes, from MOFA statistics at http://www.mofa.go.jp/mofaj/gaiko/oda/shiryō/jisseki/kuni/j_90sbefore/901-11.htm, visited on 21 February 2006

3. MOFA, Japan ODA Annual Report 1996, Chapter Eight: The ODA Charter

4. For example, the 1994, 1996, 1998 and 1999 ODA Annual Reports, the 2003 ODA White Paper

the Cold War, democratisation and human rights. Myanmar also highlights many issues of central importance in East Asia; the rise of China, ASEAN integration, the ASEAN-China-Japan triangle, state-society relations and economic/political trade-offs in development.

This paper will use two particular examples of Japanese ODA to Myanmar during the 1990s to analyse the reality of the implementation of the ODA Charter. The first is the 1998 yen loan for Yangon International Airport and the second is the 2002 grant for the renovation of Baluchaung Hydro-electric Power Station. These were the two principal projects to be approved during the period of implementation of the ODA Charter.

It must be recognised that it is extremely difficult for the Japanese government to pursue its official policy of promoting democratisation in Myanmar. Myanmar is a sovereign nation with its own government, a government that sees democratisation as fundamentally opposing its interests. The Myanmar government is a military dictatorship whose principal goal is to protect the nation from disintegration. Indeed, the *Tatmadaw* (Myanmar military) see themselves as the only organisation in Myanmar capable of preserving the integrity of the union, and for this reason link the survival of their country with their own survival; their assessment is that the country cannot survive without them.

The ODA Charter

The late 1980s/ early 1990s was a turbulent time for Japan's ODA administration. The domestic push for ODA reform, that had gained widespread support as a result of the scandal of ODA to the Marcos Regime, was given further impetus by a 1990 Keidanren report calling for more openness in ODA. Internationally, widespread criticism of Japan's contribution to the Gulf War, and a critical DAC peer review of Japanese ODA contributed to the creation of the ODA Charter. Importantly for our case study, the chaos in Burma in 1988, and the disregard by the military government of the results of the 1990 elections became important examples highlighting the changing environment that necessitated significant reform of Japanese ODA. This is especially pertinent when taken in combination with the history of Japanese ODA to Burma during the Cold War and the inevitable conclusion that Japan-Burma economic cooperation was a failure⁵. The ODA Charter, first approved by the cabinet in

5. From the Burmese side, the long-term decline of the Burmese economy that culminated in

1992 and revised in 2003, 'has been the foundation of Japan's aid policy'⁶. It has been much criticised because of its inherent (or perhaps intended) ambiguity, an example of which is the diminishment of the 'four key principles'⁷ by the following,

'Taking into account comprehensively each recipient country's requests, its socio-economic conditions, and Japan's bilateral relations with the recipient country, Japan's ODA will be provided in accordance with the principles of the United Nations Charter (especially sovereign equality and non-intervention in domestic matters).'⁸

This inevitably means that the 'four key principles' are not in fact principles, but are just *one set* of considerations to be taken into account. This provides very real and concrete evidence for the institutional framework that manifests itself as a 'policy of ambiguity' or 'policy deficit', a criticism often raised against Japanese foreign policy/diplomacy. This criticism of Japanese foreign policy goes back to Japan's post-WWII omni-directional diplomacy that essentially entailed the 'separation of politics and economics'⁹, which in practice meant that Japan was "cautious" in political and security matters, but "actively pursued its national economic interests"¹⁰. This omni-directional diplomacy went hand-in-hand with the 'three principles' of post-war Japanese foreign policy, as first enunciated in the 1957 Diplomatic Bluebook: (1) the centrality of the United Nations, (2) cooperation with the Free World, and (3) strengthening Japan's position as a member of Asia. While the so-called 'shocks' of the 1970s¹¹, as well as the growing economic power of the 1980s, encouraged and allowed for an increasingly independent foreign policy, Japan maintained its dependence on the United States, and remained a 'reactive state'¹², essentially responding to *gaiatsu*, or

the chaos of 1988 is evidence of this, and from the Japanese side, the fact that trade between Japan and Burma has always been minimal.

6. MOFA, Revision of Japan's Official Development Assistance Charter 2003.

7. (i) environmental conservation; (ii) avoidance of any use of ODA for military purposes or for aggravation of international conflicts; (iii) trends in military expenditures, and (iv) the promotion of democratisation and introduction of a market-oriented economy, and the situation regarding basic human rights and freedoms in the recipient country. From the ODA Charter 1992.

8. MOFA, ODA Charter, 1992.

9. Norman D. Levin. "The Strategic Dimensions of Japanese Foreign Policy", in Gerald Curtis, ed., *Japan's Foreign Policy after the Cold War: Coping with Change* (1993), p. 204.

10. Makoto Iokibe (editor). *Sengo nihon gaikoshi* [Japan's post-war diplomacy], (1999), p. 110.

11. The Nixon Shocks (rapprochement with PRC and end of the Gold Standard) and the Oil Shocks

12. Kent E. Calder, "Japanese Foreign Economic Policy Formation: Explaining the Reactive State", *World Politics* Vol. 40, No. 4 (July 1988), pp. 517-41. Other analyses of the policy deficit in Japanese foreign policy include: Michael Blaker, "Evaluating Japan's Diplomatic

external pressure (namely that from the United States).

The end of the Cold War inevitably presented a great challenge for Japanese foreign policy-makers, and the ODA Charter was presented as a component of Japan's response to this challenge. Importantly though, it should be noted (and this is also a counter-argument to the aforementioned criticisms of Japan's foreign policy) that the apparent ambiguity incorporated into the ODA Charter provides maximum diplomatic manoeuvrability. Regardless of any shortcomings, the Charter does represent the aspirations of many within Japan's political economy to realign ODA policy and practice to better effect in the post-Cold War environment. It is widely recognised that Japanese ODA institutions and practices have their roots in the World War Two reparations paid to Southeast Asian countries beginning in the 1950s¹³. In this way, the imperative of turning the payment of reparations into an economic benefit that subsidised Japanese exports and supported market access¹⁴, created an ODA system with a principal aim of serving the interests of Japanese businesses. The success of the Japanese economic model meant that this ODA system could effectively resist reform *until* the ODA Charter. This inevitably means that the implementation of the Charter reflects the struggle between the reformers and the conservatives that seems to characterise many aspects of Japan's contemporary political economy.

As previously mentioned, Myanmar is often cited as an example of the implementation of the Charter, and this provides evidence for a premise of this study; such a politically sensitive issue as ODA to a military government would necessitate an especially scrupulous interpretation of the ODA Charter. The official policy of the Japanese government towards Myanmar throughout the post-Cold War period has been 'to progress steadily toward democratization and to improve human rights'¹⁵. The ODA Annual Report for 1994 identifies Myanmar as an example of 'negative trends' according to the following application of the ODA Charter,

'Japan actively expands its ODA to recipient countries which show positive trends in light of these principles, it calls the attention of, or reviews the aid policy toward recipient countries that show negative trends, comprehensively taking into account

Performance", in Gerald Curtis, ed., *Japan's Foreign Policy after the Cold War: Coping with Change* (1993), pp. 1-42; and Edward J. Lincoln, *Japan's New Global Role* (1992)

13. See for example, Makoto Iokibe. "Gaikosenryaku no naka no nihon ODA [Japan' ODA as a Diplomatic Strategy]", *Kokusai Mondai*, No. 517, April 2003.

14. Hiromi Arisawa (ed.) *Showa keizai-shi* [A history of the Showa Economy], (1976), p. 357.

15. MOFA, "Japan's position regarding the situation in Myanmar", March 1997, <http://www.mofa.go.jp/region/asia-paci/myanmar/myanmar.html>, visited on 28 February 2006.

their economic and social conditions, their relations with Japan, etc.¹⁶

Debt distortion

Despite the ‘suspension, in principle’ of Japanese ODA to Myanmar, according to the Japanese Ministry of Foreign Affairs, ODA disbursements to Myanmar, based on the Exchange of Notes, in the thirteen-year period from 1991 to 2003 totalled over ¥90 billion (about US\$800 million). This is evidence of an important factor that had caused a serious distortion in Japanese ODA diplomacy to Myanmar. Debt relief accounted for 75% of total Japanese ODA to Myanmar during this period, and therefore, much of the ODA disbursed during this period was, to some extent, independent of any positive or negative trends in Myanmar. Japanese ODA diplomacy to Myanmar held out the promise of large-scale ODA loans as the main incentive for ‘positive trends’ carried out by the Myanmar government. However, the Ministry of Finance cannot forward new loans if the recipient is in arrears on existing loans, and this means that the Japanese government were wholly dependent on preventing Myanmar from going into arrears on its debt to Japan. Therefore, Japan was dependent, in order to keep its ODA diplomacy ‘alive’, on continuing to disburse large-scale ODA to Myanmar (as debt relief) regardless of positive or negative trends. Despite the Japanese debt relief, Myanmar went into arrears in 1995, and this meant that, thereafter, Japan could no longer include the promise of new ODA loans as part of the incentive to encourage ‘positive trends’ until the debt issue was resolved, and this could not be resolved until the Myanmar government made significant moves towards democratic transition. For this reason, the resolution of the debt issue is very closely linked to political change in Myanmar. As of 2006, Myanmar’s outstanding debt to Japan was ¥273.5 billion¹⁷.

Yangon International Airport

The decision to provide aid for Yangon International Airport was to be a highly controversial one.

‘After Myanmar authorities released dissident leader Daw Aung San Suu Kyi from

16. MOFA, “Japan’s ODA Annual Report 1994”, <http://www.mofa.go.jp/policy/oda/summary/1994/3.html>, visited on 28 February 2006.

17. JBIC, *enshakkan katsudō report 2005* [Yen Loan Activity Report 2005. http://www.jbic.go.jp/japanese/base/achieve/nenji/2006/pdf/siryō_01.pdf], visited on 2 March 2005.

conditions of house arrest in 1995, Japan ... restarted its ODA on a limited basis based on a policy in which Japan would consider and implement mainly, for the time being, those projects committed before 1988 and projects which would directly benefit the people of Myanmar by addressing their basic human needs, on a case-by-case basis. In effect, under current conditions, Japan cannot provide substantive levels of aid as long as Myanmar fails to demonstrate significant gains in democratization or improvements in the protection of human rights.

In accordance with that policy shift, in March 1998 Japan decided on disbursement of ¥2.5 billion in loan assistance solely for safety-related repairs to facilities built as part of the Yangon International Airport Expansion Project which is one of the pre-existing yen-loan aid projects (E/N signed in FY1983 and FY1984)¹⁸.

The Japanese government, through its ODA, had made a considerable investment in the airport in Yangon. ODA agreements for the expansion of Yangon International Airport were concluded in 1983 (¥14.3 billion), 1984 (¥8.3 billion) and 1985 (¥4.4 billion) to extend, in total, loans of about ¥27 billion. However, these loans were suspended after the events of 1988¹⁹. The decision in March 1998 was therefore to resume just a part of the yet-to-be disbursed ODA for 'safety-related repairs'. At the time, MOFA stated that, 'it will not lead to full resumption of the initial project which included the extension of the runway, nor to a new ODA loan to Myanmar'²⁰. Whether or not this actually constituted a *new* loan is somewhat unclear. According to the 1999 ODA White Paper, there was no Exchange of Notes for a new loan agreement in 1998, although the 2000 ODA White Paper lists the ¥2.5 billion as a new loan agreement (this is probably evidence of the sensitivity surrounding this project)²¹. Regardless, throughout 1998, the Myanmar government were carrying out construction on the expansion of Yangon International Airport, which included extending the runway and renovating the reception hall, and this means that the ODA loan provided financing for a project that the Myanmar government were *already* undertaking.

18. MOFA, Japan ODA Annual Report 1999, Chapter Three: Recent Trends in the Enforcement of ODA Charter Principles

19. MOFA Press Release, 11 March 1998. <http://www.mofa.go.jp/announce/announce/1998/3/yangon.html>, visited on 24 September 2004.

20. 'The Limited Emergency Measure for Yangon International Airport Extension Project', MOFA Press Release, 11 March 1998. <http://www.mofa.go.jp/announce/announce/1998/3/yangon.html>, visited on 2 March 2006.

21. MOFA, *seifu kaihatsu enjō (ODA) kunibetsu databook* [ODA country-by country data book] 2002 at, http://www.mofa.go.jp/mofaj/gaiko/oda/shiryō/jisseki/kuni/02_databook/eaj/top_eaj.html, and 2004 at, http://www.mofa.go.jp/mofaj/gaiko/oda/shiryō/jisseki/kuni/04_databook/01_e_asia/e_asia.html, visited on 2 March 2006.

Taisei Construction and Marubeni, both original contractors under the original loan agreements, were awarded the contracts to resume construction at the airport. Indeed, Iwao Tomimuri, president of Marubeni and Chairman of Keidanren's Japan-Myanmar Economic Committee, had promised Myanmar officials that the Japanese private sector would pressure MOFA to *fully* resume Japan's ODA²². Furthermore, Marubeni personnel had visited senior military officials²³ in Myanmar in January and February 1998²⁴. It seems implausible not to conclude that these meetings, prior to the official announcement, were not connected to the project. Of course this does not mean that Marubeni necessarily single-handedly initiated the project. It merely means that high level Marubeni officials were meeting with high level Myanmar military officials prior to the official announcement of the aid project. When 'positive trends' occurred, Marubeni were able to influence the decision making process to benefit their company, and this would have entailed lobbying both the Myanmar and the Japanese government. It would be rational for Marubeni to attempt to instigate such 'positive trends', and the traditional implementation process of Japanese ODA would certainly support such a supposition. Traditionally, Marubeni would have had the network and the access to resources (ODA funding) to be able to influence recipient governments. In this case, Marubeni obviously had the network (access to high-level Myanmar government officials), and the approval of the project proves that they also had access to the resources.

Regardless of the possibility of Marubeni being the initiators of the Yangon International Airport project, and regardless of the questionable status of such a project as being a direct "benefit [to] the people of Myanmar by addressing their basic human needs", there is a further Japanese business connection to this ODA project. On 21 February 1998, less than one month before the Japanese government announced its decision to provide aid for the Yangon International Airport project, a ceremony was held to open the new Mingaladon Industrial Park. The ceremony was attended by Secretary-1 General Khin Nyunt, other high-ranking military leaders, the Ambassador of Japan Yoichi Yamaguchi, and the managing director and members of the board of directors of Mitsui Co. Ltd. Mitsui began construction of the industrial park in 1996, their total investment

22. *Nikkei Weekly*, 27 April 1998, pp. 1-2.

23. Including then Secretary-1 General Khin Nyunt and Chairman of Myanmar Investment Commission Deputy Prime Minister Vice-Admiral Maung Maung Khin.

24. *The New Light of Myanmar*, 2 January and 6 February 1998, <http://mission.itu.ch/MISSIONS/Myanmar/NewsArchives/newsindex.htm>

amounted to US\$20 million, it covered 89 hectares, and was located just 7 km from the airport. Five of the total eight tenants of the industrial park are Japanese companies²⁵. Considering the timing, the traditional link between Japanese ODA and Japanese business, as well as the necessity of providing basic infrastructure so as to attract tenants to invest in the park, it would be difficult to disregard the possible connection between the industrial park and the yen loan. It seems reasonable to assume that it would be extremely beneficial for Mitsui, in attracting overseas businesses to their industrial park, to be able to emphasize the upgrading of the nearby international airport. For this reason, the granting of the yen loan can be interpreted as evidence of the Japanese government providing implicit support of the Mitsui project, and this means that, in 1998, while Myanmar was being cited as a 'concrete case' of the implementation of the ODA Charter, Japanese ODA was being used to support the investments of private Japanese companies. Furthermore, according to the Myanmar government, the Mingaladon Industrial Park was the first of its kind in Myanmar to allow 50-year long-term leaseholds for the foreign investors, which meant that the Japanese government was supporting their *long-term* investment in Myanmar, and this obviously provided very significant, implicit support to the Myanmar government.

It seems logical to conclude that such an ODA project was a fine example of the continued use of ODA as 'seed money' for Japanese private overseas investment, and this was despite both the highly political nature of the issue of ODA to Myanmar, as well as the expected international criticisms of what would be perceived as a continuation of using ODA merely as a subsidy for Japanese businesses. Furthermore, it is despite the ODA reforms that were supposed to have reduced the influence of Japanese companies over ODA disbursements.

From another perspective, the project was implicit support for the ASEAN engagement policy. After Myanmar joined ASEAN in July 1997, it was expected that international travel would increase as the Myanmar economy became more integrated into the ASEAN regional economy, and it was thus necessary to have an airport of at least the minimal standard. Japanese Diet member and Former Foreign Minister Muto Kabun cited this, as well as concerns over increasing Chinese influence in Myanmar, as justifications for increasing Japanese economic cooperation with Myanmar²⁶. Muto had led a delegation of Japanese Diet members to Myanmar on 25-26 February 1998 and had met with General Khin

25. Ajinomoto, MFC, Postarion, TI Garment and Famoso Clothing. See, http://www.mingaladon.com/our_tenant_industries.htm, visited on 23 February 2006.

26 *Yomiuri Shinbun*, 24 March 1998.

Nyunt and other high-level military leaders²⁷. Muto was to visit Myanmar and meet with General Khin Nyunt on 18 August and again on 19 November 1998²⁸. Muto would be one of the most vocal proponents of increasing Japanese economic assistance to Myanmar and would be involved in the next significant ODA disbursement.

Baluchaung Hydro-electric Power Station

The decision to disburse grant aid for the renovation of Baluchaung No. 2 was also surrounded by controversy. In April 2001, Foreign Minister Kono Yohei told the visiting Myanmar Deputy Foreign Minister Khin Maung Win that Japan was considering offering the country an ODA grant to repair Baluchaung Hydro-electric Power Station. It was stated that Tokyo wanted to encourage the dialogue that had begun between the military government and Aung San Suu Kyi²⁹. Ismail Razali, former Malaysian Ambassador to the UN, who was appointed UN Special Envoy to Myanmar in April 2000, successfully initiated this new highly secretive dialogue between the State Peace and Development Council (SPDC- the governing military council) and the NLD, which began in October 2000, while Aung San Suu Kyi was under house arrest. According to the UN, Razali concentrated his efforts on three subjects: the release of political prisoners; the lifting of restrictions on Aung San Suu Kyi's movements; and the resumption of normal activities for legal political parties³⁰. Presumably resulting from this dialogue, in January 2001, the SPDC released a number of NLD members who had been detained since September 2000. In June 2001 more NLD members were released, although Aung San Suu Kyi was not released until May 2002.

The renovation of Baluchaung No. 2 was also one of the recommendations of the 'Japan-Myanmar Cooperation Program for Structural Adjustment of the Myanmar Economy' that had been set up by Prime Minister Obuchi. This program was initiated as a result of the first summit meeting in 15 years between Japan and Myanmar which took place on the sidelines of the 1999 ASEAN Summit in Manila. At this meeting PM Obuchi urged General Than Swe, Chairman of the SPDC and Prime Minister of Myanmar, to "advance the

²⁷ *New Light of Myanmar*, 26 February 1998.

²⁸ *New Light of Myanmar*, 19 August and 20 November 1998.

²⁹ *Asian Economic News*, 16 April 2001.

³⁰ "Report of the Secretary-General on the situation of human rights in Myanmar", E/CN.4/2002/35, 18 March 2002. <http://ods-dds-ny.un.org/doc/UNDOC/GEN/G02/114/39/PDF/G0211439.pdf?OpenElement>, visited on 4 Sept 2004.

democratisation process in Myanmar”, but also stated that, “if your country tackles economic reforms seriously, we are ready to support your country’s economic reform with our experience”. This led to the creation of the JICA-funded program in June 2000, which held a number of workshops in Tokyo and Yangon and completed its report two years later (although it has never been released to the public). The positive trend of the dialogue between Aung San Suu Kyi and the military was also given encouragement by four other JICA-funded development studies in 2000 and a further seven in 2001.

On 10 May 2002, just 4 days after the release from house arrest of Aung San Suu Kyi, there was an Exchange of Notes between Ambassador Tsumori and Minister for National Planning and Economic Development, U Soe Tha, in Yangon. This exchange of notes was for a total of ¥628 million.

However, there is another angle to this story. Baluchaung No. 2 was constructed using Japanese reparations finance, and was completed in 1960 at a cost of ¥10.3 billion, almost 15% of the total reparations figure of ¥71.2 billion³¹. Nippon Kōei was awarded the contract, and it sub-contracted construction to Kajima Corporation and Marubeni. Under the 1963 quasi-reparations agreement Nippon Kōei and Marubeni were awarded the contract for the expansion of Baluchaung No. 2. In 1981 a contract was signed for a yen loan of ¥16 billion to finance repair and spare parts, and Nippon Kōei and Marubeni would finally complete this in 1992. Marubeni and Hitachi were awarded the 2002 contract for the grant aid project to renovate Baluchaung. However, Nippon Kōei had begun planning for the maintenance and repair of Baluchaung in June 2001, when JICA funded a ¥3.3 billion development study (including surveying, planning and construction)³². Importantly, the financing for this development study was completely separate from the grant aid announced in 2002, and this means that the rehabilitation of Baluchaung was being undertaken by Nippon Kōei regardless of the appearance of linking the comparatively small grant aid with the release from detention of Aung San Suu Kyi. Furthermore, Nippon Kōei opened a new office in Yangon on 1 October 1999, citing the likelihood that Japanese ODA will soon be resumed³³. It seems plausible to assume that the opening of the new office in Yangon was in preparation for the development

31 MOFA, 1964 *Gaikōseisho* [Diplomatic Bluebook], p. 87.

32 Nippon Kōei homepage, <http://www.n-koei.co.jp/business/jisseki/kaigai.html>, and JICA homepage, http://www.jica.go.jp/activities/jicaaid/gaiyou/pdf/mya_1303.pdf, both visited on 24 February 2006.

33 Nippon Kōei News Release, 27 September 1999. <http://www.n-koei.co.jp/news/1999/1001.html>, visited on 15 September 2004.

survey that began in June 2001. Even so, the structural adjustment program did not even begin until June 2000, more than six months after the opening of the Nippon Kōei Yangon office, and the Razali-dialogue began in October 2000, a year after the opening of the new office. Indeed, the new Yangon office of Nippon Kōei was opened even before the Japan-Myanmar Summit in Manila, when PM Obuchi first offered assistance for Myanmar's economic reforms.

This takes us to yet another angle of the Baluchaung project. While Western governments were protesting the project, within the Japanese government itself, there seems to have been significant disagreement. In recognition of the political sensitivity of the project, the grant aid for Baluchaung needed cabinet approval. However, possibly more importantly than this cabinet approval, all ODA projects must also be approved by the Liberal Democratic Party's Overseas Economic Cooperation Special Committee, and at the time this committee was chaired by Suzuki Muneo. It was alleged that Suzuki supported the complaint by committee member Muto Kabun that it was not necessary for former UN Ambassador Owada to discuss the project with Aung San Suu Kyi, and instead, he himself should visit Myanmar and meet with the government. This led Suzuki, as committee chairman to stop the grant aid until Muto could visit Myanmar³⁴. Muto had visited Myanmar and met with General Khin Nyunt three times in 1998, and again in December 2001. It seems likely that Muto was indeed working behind the scenes with Nippon Kōei well before 2001. It is widely recognised that Suzuki Muneo had strong connections with Nippon Kōei, and this seems to have also been the case with Muto Kabun.

Conclusion

In response to the detention of Aung San Suu Kyi, on 4 July 2003 Foreign Minister Kawaguchi announced a freeze on *new* ODA to Myanmar. The US and the EU both increased their sanctions towards Myanmar in response to the detention of Aung San Suu Kyi. In August 2003, recently appointed Prime Minister Khin Nyunt announced a new seven-point 'Roadmap to Democracy'. This new initiative was probably in response to the surprising public announcement at the ARF meeting in Phnom Penh, when ASEAN moved away from its traditional strict adherence to the non-intervention principle and "urged Myanmar to resume its efforts of national reconciliation and dialogue among all parties concerned leading to a peaceful transition to democracy"³⁵. Aung San Suu Kyi was

³⁴ http://www.weeklypost.com/jp/020329jp/news/news_9.html, visited on 6 November 2004.

transferred to house arrest in September, and the Roadmap was greeted positively by ASEAN members at the Bali Summit in October 2003. Japan was somewhat more reserved in its support although PM Koizumi did meet with General Than Swe at the ASEAN+3 Summit in Brunei in November, and with General Khin Nyunt on his visit to Japan in December.

In terms of new ODA since then, grant aid for ¥876 million in 2004, ¥1.2 billion in 2005, ¥640 million in 2006 and ¥468 million in 2007 has been forwarded. Prime Minister General Khin Nyunt was removed from power in October 2004 and his Roadmap seems to have evaporated.

While accepting that Japanese ODA diplomacy to Myanmar is fraught with difficulties, how do we evaluate the implementation of the ODA Charter towards Myanmar? As previously stated the ODA Charter is so ambiguous that it is essentially flexible enough to be used to justify any position, and whilst it is assumed that this is a reflection of the struggles between reformers and conservatives within Japan's political economy, it is also assumed that this was a conscious choice to allow for maximum manoeuvrability/ minimum constraint. In the case of ODA to Myanmar during the post-Cold War period the Charter has been consistently referred to as the framework for Japan's ODA diplomacy. This means that the positive and negative trends (in Myanmar) are rewarded with ODA disbursements or punished with suspension of ODA disbursements. This paper has used the two major projects of this period, Yangon Airport and Baluchaung Power Station, to determine whether these projects were adopted in line with the official policy of implementing the ODA Charter. From a historical perspective, it is to some extent natural that such projects would be chosen considering the tradition of Japanese ODA. However, given the political sensitivity of ODA to Myanmar, it is arguably much safer to choose projects that irrefutably correspond to the stated objectives, that is; implementation of the ODA Charter, encouraging democratisation and benefiting the livelihood of the people of Myanmar. In both these two projects, Japanese businesses that had a long history of ODA-financed operations in Myanmar gained a significant benefit. Whilst it seems logical to assume that such businesses will lobby for projects that benefit them, this research has shown that there is significant evidence that such companies *actively participated* in the diplomatic process that allowed for the projects to be approved. Even though there is superficial evidence for concluding that the projects were implemented according to the ODA Charter, as soon as the

35 Chairman's Statement of the Tenth Meeting of the ASEAN Regional Forum, Phnom Penh, 18 June 2003. <http://www.asean.or.id/14845.htm>, visited on 27 Sept 2004.

diplomatic opportunity arose, projects were chosen that had very close connections to Japanese business interests in Myanmar. Those Japanese businesses that benefited from the project were involved, from the *very beginning*, in the diplomatic process that led to 'positive trends' that were then used to justify the project. Of course, it could be argued that the tradition of Japanese ODA disbursement means that all significant projects will inevitably be very closely connected to Japanese business interests. However, assuming that ODA to Myanmar is especially contentious, and diplomacy towards Myanmar especially delicate (these assumptions being based on the official policy of employing the Charter in ODA to Myanmar), then it seems incomprehensible that under such conditions, the Japanese government would favour ODA projects that do not strictly interpret the principles and philosophy of the ODA Charter. Whilst it is assumed that such economic cooperation is not a zero-sum game, and it is natural for Japanese businesses to profit from an ODA project that benefits the citizens of Myanmar, the question raised by this study is whether Japan's ODA diplomacy towards Myanmar in the post-Cold War is being carried out *for* Japanese business interests or *by* such business interests.

