



Myanmar-Japan political and economic relations from 2011-2021

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Abstract

This research examines Myanmar's foreign policy towards Japan from 2011-2021, particularly the development of the Thilawa Special Economic Zone (SEZ) and Myanmar's peace process. Since Myanmar's political reforms in 2011, Thein Sein's government engaged with Japan on Myanmar's economic and infrastructure development, and reconciliation process. This research uses the concept of hedging to explain how Myanmar opened to Japan's involvement in Myanmar's development to balance its dependence on China. The research applied qualitative research by analyzing government documents that related on Japan-Myanmar relations. This research finds that Myanmar's political reforms and the release of sanctions on Myanmar by the United States (US) created an opportunity for Japan and international actors to get involved in Myanmar's politics and economy. Moreover, the reforms helped Myanmar move away from being overdependent on China. During Myanmar's transformation, Japan played a significant role in Myanmar's reconciliation, economic and infrastructure development in urban areas. However, China retained its influence on Myanmar politics and the border trade with ethnic areas in the Northern part of Myanmar.

Keywords: Myanmar's Foreign Policy, Myanmar-Japan Relations, Hedging Strategy

Introduction

On March 31, 2011, General Thein Sein became President of the Union of Myanmar, after the Union Solidarity and Development Party (USDP) won a multiparty election. The USDP became the first democratically elected civilian government in 50 years. Following this, Thein Sein's administration released political prisoners, eased media censorship, passed trade and investment laws, and established a peace dialogue with ethnic armed organizations (EAOs) (Frontier of Myanmar, 2016). Thereafter, General Thein Sein announced political and economic reforms which made changes in domestic and international politics. Since the democratization, the United States (US) and Western countries resumed diplomatic relations with the quasi-civilian government. In addition, the



reforms created opportunities for external actors to participate in Myanmar's socio-economic development.

After the US and EU lifted economic sanctions on Myanmar's quasi-civilian government, Japan, which had a long historical friendship with Myanmar, took the opportunity to reestablish ties with Naypyidaw. Since the democratization, Japan and Myanmar held several bilateral meetings involving high-ranking officers from both Japan and Myanmar. The highlight of the improved relationship occurred when Japanese Foreign Minister Koichiro Gemba visited Myanmar between December 25 and 26, 2011, which was the first visit to Myanmar in 9 years for the Japanese Foreign Minister (The Irrawaddy, October 5, 2018). During his visits to Myanmar, Foreign Minister Koichiro Gemba talked with President Thein Sein on Myanmar's democratization and reconciliation process. Thereafter, Foreign Minister Gemba discussed with Daw Aung San Suu Kyi about free and fair elections, the situation related to the National League for Democracy (NLD)'s political activities, and the release of political prisoners (The Irrawaddy, 2015).

In addition, after President Thein Sein visited Japan in April 2012, Japan increased the funding for two grant aid projects for Myanmar of approximately 583 million yen and 251 million yen (The Irrawaddy, 2018). Furthermore, another significant event occurred on May 13, 2013, when Prime Minister Shinzo Abe visited Myanmar and pledged \$5.7 billion USD in loans to Myanmar (The Irrawaddy, 2018). The climax of the relationship emerged when the Japanese government announced the establishment of the Thilawa Special Economic Zone (SEZ) in 2013, a joint venture project between Japan and Myanmar worth around \$3.28 billion USD. This was the first special economic zone in Myanmar (The Irrawaddy, 2018). In terms of economics, Tokyo and the Asian Development Bank assisted Thein Sein's administration in drafting a special economic zone law in 2014 and investment law in 2016 (Hartley, 2018, p.314). Furthermore, Japanese companies, including the Daiwa Institute of Research and Japan Exchange, with the cooperation of the Myanmar Economic Bank, formed the Yangon Stock Exchange in October 2015. (The Irrawaddy, 2018). Overall, Japan and Myanmar's relationship had been strengthened by the USDP government. Additionally, cooperation between the two countries increased in various areas such as political, economic, and infrastructure development, as well as legislative cooperation.

In contrast, Myanmar-China ties shifted in the Thein Sein administration. Myanmar halted the Myitsone Dam Project in September 2011. According to the Government of Myanmar, the reasons for the suspension included public criticism of the project, its environmental impact, hydrological risk, and risk of causing displacement and loss of livelihood (BBC, 2011). The hydropower project was supported by Chinese businesses. In this case, the suspension led to tension between Myanmar's and China's governments.



However, one month after the unexpected suspension of the Myitsone Dam Project, President Thein Sein improved the relations with China and expanded strategic cooperation with Beijing again. In brief, China remained the largest trading partner for Myanmar's government (Passeri & Marston, 2022, p.199).

This research focuses on Myanmar's foreign strategy towards Japan during the former's democratization in 2011-2021 and the development of the Thilawa SEZ. This case study is selected because, since the transformation process in 2011, Japan played a crucial role in Myanmar's social and economic reforms. The government of Japan provided assistance in Myanmar's democratic, economic, social, and peace processes.

Since Myanmar and Japan reestablished relations in 2011, the government of Japan played an important role in Myanmar's socio-economic development. According to Hartley (2018), the Japanese government aided with Myanmar's national reconciliation. In 2013, Japan appointed Yohei Sasakawa, the president of the Nippon Foundation, as Special Envoy of the Government of Japan for National Reconciliation in Myanmar. Sasakawa helped Japan improve relations with Myanmar's government, Myanmar's military, and ethnic groups. The Nippon Foundation adopted Japan's kakehashi "bridge building approach." Because of this, Japan was able to contact and arrange several meetings between Japan's leaders and Myanmar's military leaders. (Hartley, 2018, p.377). Sasakawa also played a significant role by helping Japan's government improve relations with Myanmar's ethnic groups. For example, the Nippon Foundation provided financial assistance for food distribution to Myanmar's war zone. In addition, Sasakawa participated in the Myanmar peace process as a broker between Myanmar's government and ethnic armed groups. Sasakawa and the government of Japan were successful in their role as mediator, as Myanmar's government and ethnic armed groups signed ceasefire agreements in 2015 and 2018. (Hartley, 2018, p. 377). In conclusion, Tokyo had an important role in Myanmar's reconciliation process between 2010-2018 because of Sasakawa's special relations with both Naypyidaw and the ethnic groups.

Myanmar's approach to Japan regarding political and economic development was different from its approach to China, the US, and other Western countries. For example, the government of Japan made a statement that they will invest in the Thilawa SEZ. In addition, Prime Minister Shinzo Abe visited Myanmar in May 2013, which was the first visit of a Japanese prime minister to Myanmar in 36 years. During his visit, Abe pledged a 57 billion USD loan for socio-economic development in Myanmar (the Irrawaddy, 2015).

Although there have been a number of studies on Myanmar's foreign policy and Japan-Myanmar relationships, only a few studies investigate Myanmar's approach to



Japan's political and economic assistance, the development of the Thilawa SEZ, and the foreign strategic interests of Myanmar during its democratization process in 2011-2021.

This case study represents an analysis of Myanmar's hedging strategy towards Japan. Furthermore, the research will examine why Myanmar under Thein Sein's government approached Japan for aid and socioeconomic reforms.

Objectives

1. To examine strategic approaches of Myanmar's democratic and social reforms towards Japan.
2. To analyze the Myanmar-Japan relationship between 2011-2021.
3. To investigate how Thein Sein's government approached Japan's Myanmar democratic transformation in 2015.
4. To examine Myanmar's hedging character towards Japan.

Research questions

1. Why did Myanmar under Thein Sein's government approach Japan for aid and social-economic reforms?
2. How important was Japan's government in Myanmar's hedging strategy during its time of democratization?

Literature

This literature review examines two key topics which relate to Myanmar-Japan relations, including internal and external factors that affect on Myanmar and Japan relations. Kudo (2007) and Li (2015) studied internal factors that affected Japan's foreign policy towards Myanmar. Kudo (2007) observed that Japan-Myanmar's relations declined since the State Law and Order Restoration Council (SLORC) assumed power in 1988. Japan-Myanmar's diplomatic and economic ties faded under the military regimes because the intra-relations between Japan's and Myanmar's elites changed. Japan's elites did not have special ties with the regimes in Myanmar. Furthermore, the Japanese government revised the ODA charter, which focused on democracy and human rights. Therefore, Kudo (2007), Peng Er (2010), Strefford (2016) have argued that the government of Japan adopted cautious engagement and "carrot stick" policies during the military regimes.

Similarly, Li (2015) analyzed that Tokyo applied "constructive interference": a middle-way policy that maintained a relationship with the military regimes in Myanmar and the US, while promoting democratization and human rights in Myanmar and encouraging the military regime to enact political change.



Some authors studied both internal and external factors such as Strefford (2016) and Lam (2016). Strefford (2016) examined internal and external factors during the post-2010 Japan-Myanmar economic collaboration through historical aspects.

Lam (2016) studied internal and external factors for Japan's foreign policy towards Myanmar since the political transformation in 2010. He analyzed factors including economic interest, geopolitics, and security cooperation, which are dominant issues that formulate Japan's policies for Myanmar in the present period.

For Myanmar's foreign policy, Fiori & Passeri (2015) studied Myanmar's ties with China and the US through the hedging concept. The authors argued that China had played a crucial role in Myanmar's internal and external affairs during the SLORC/SPDC governments. At the external level, China supported Myanmar's economy, which created stability in Myanmar's market, enabling it to sustain external threats. At the international level, China backed Myanmar in the face of sanctions against Myanmar's military regimes after the Saffron Revolution in 2007. At the same time, China also gained benefits from Myanmar.

Passeri & Marston (2022) examined Myanmar's independent foreign policy that shifted between the two opposite forms of non-alignment from 2011 to 2021. The authors analyzed that, between 2010 and 2016, Thein Sein's government adopted a positive non-alignment or shift towards this as a foreign policy.

From the literature on Myanmar's foreign strategy and hedging strategy and Myanmar-Japan relations that were reviewed, the authors focused on Myanmar's state behavior and foreign policy and hedging strategies towards the US and China. Furthermore, some authors focused on internal and external factors in Myanmar-Japan relations, including, for example, Japanese businessmen, Japanese bureaucracy, ODA, China, and ASEAN. Some scholars focused on the US dominance on Japan's foreign policy towards Myanmar. Moreover, some scholars studied Myanmar's foreign policies and hedging strategies towards China and the US. However, there were rarely studies done that focused specifically on Myanmar-Japan's diplomatic relations through hedging strategy or even on why Myanmar approached Japan for supporting socio-economic and political reforms instead of the US and EU. This research examines Myanmar's foreign policy towards Japan and vice versa. In addition, this research examines Myanmar's approach to Japan's assistance during the democratization process. Myanmar-Japan political and economic ties can create a better understanding of Myanmar's foreign strategy. In addition, this paper aims to investigate what Myanmar's intention is for Japan's assistance with political reforms.



Conceptual framework

This study draws on a hedging strategy framework to understand Myanmar's foreign strategy with Japan, defining hedging as a set of complex insurance and engagement policies adopted by a small state in a relationship with a superpower that neither chooses one side nor adopts one direct policy (Goh, 2006 as cited in Fiori & Passeri, 2015). The paper aims to examine Myanmar's foreign strategy towards Japan and external powers during the former's democratization process in 2011-2021. The case of Myanmar's and Japan's relations during the transformation period seems to represent how Myanmar as a small state in global politics interacts with major powers at regional and global levels.

Research Methodology

This thesis will mainly consist of documentary and qualitative research. Primary sources include official documents such as documents from the government of Japan, Ministry of Foreign Affairs, Ministry of Trade, Ministry of Finance, Japan External Trade Organization (JETRO), the Japan International Cooperation Agency (JICA), and the Thilawa SEZ Committee. Secondary sources include academic research, reports from NGOs, academic journals, and news from reliable media. I will review these sources and look for important themes about Japan-Myanmar relations during 2010-2021, Japan's assistance on economic and infrastructure development, peace and reconciliation, and Myanmar's foreign policy towards Japan and the international community.

Results

This research found out that during the reforms in 2011-2021, Myanmar's government applied a hedging strategy in its foreign policy. The reforms created an opportunity for Myanmar's government to engage and develop bilateral relations with Western countries and be independent from China. This case study found that during the reforms, Myanmar's foreign policy focused on reintegrating with the international community. By this time, Japan's bilateral relations with Myanmar were strengthened and Japan played a crucial role in Myanmar's economic and infrastructure development. During its reforms, Myanmar's government needed foreign assistance for economic and infrastructure development, trade, investment, as well as democratization and national reconciliation. Japan was the best answer for Myanmar's government because of its historical ties with Myanmar. Unlike China's government, Japan provided support for infrastructure development such as roads, railways, and buses. For Myanmar's government, the infrastructure development was important for its reforms process. More importantly, Japan was a good fit for Myanmar's reforms because Japan also aimed to



balance China's dominance in Myanmar and Southeast Asia. Because of this Japan's supported and invested in Myanmar's infrastructure development. Besides, Japan helped Myanmar's on trade, investment, as well as peace reconciliation. Myanmar approached Japan for support for its reforms because of Japan's assistance for Myanmar's economy and trade. Unlike the West, Japan provided aid for Myanmar's development and maintained good relations with Thein Sein's government. Meanwhile, Western countries like US and EU can impose sanction and suspend economic assistance anytime Japan's government was important for Myanmar's hedging strategy because Myanmar's government adopted hedging as a foreign strategy to balance relations with external power. As mentioned earlier, Japan was the best fit for special ties with Myanmar and Japan's businesses were also interested to invest in Myanmar, including in the Thilawa Special Economic zone. Hence, Myanmar used Japan to balance power with China.

Conclusions and Discussion

Because Myanmar was isolated during its military regimes, the country had relied on China and ASEAN countries for political and economic support. After its reforms, Western countries such as the US and EU released economic sanctions on Thein Sein's administration. Because the US resumed bilateral ties with Myanmar, Japan as US partner used this opportunity to reestablish relations with Myanmar's government.

This research shows that Myanmar used a hedging strategy in its relations with Japan and China. During the rule of the State Law and Order Restoration Council (SLORC) and State Peace and Development Council (SPDC) between 1988-2011, Myanmar was isolated by the Western countries, and hence Naypyidaw relied on China for economic and political support. By this time, China played a significant role in Myanmar's affairs in both the domestic and international arenas. Because Myanmar's leaders were concerned with China's dominance in the country, after Myanmar started reforms, Myanmar's foreign relations during Thein Sein's administration focused more on reengagement with the global community including the US, Japan, EU, India, as well as Russia. This research can be an example of a small country in Southeast Asia balancing relations with superpowers. Also, future study can look at Myanmar's foreign relations with Japan and superpowers such as China and the US after the 2021 military coup.



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