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Japan's Persistent Engagement Policy Toward  
Myanmar in the Post-Cold War Era: A Case of  
Japan's 'Problem-Driven Pragmatism'

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## ABBREVIATIONS AND ACRONYMS

AAB	Asian Affairs Bureau (MOFA)
AFO	Anti-Fascist Organization
AEM-MITI	ASEAN Economic Ministerial Meeting with the Minister for International Trade and Industry
AFPFL	Anti-Fascist People's Freedom League
AFTA	ASEAN Free Trade Area
AIPMC	ASEAN Inter-Parliamentary Myanmar Caucus
AMCWA	Asian Maternal Children Welfare Association
AMDA	Association of Medical Doctors of Asia
AOAB	Asian and Oceanian Affairs Bureau (MOFA)
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEAN-PMC	ASEAN Post Ministerial Conference
ASEM	Asia-Europe Meeting
BAJ	Bridge Asia Japan
BAIJ	Burmese Association in Japan
BDA	Burma Defence Army
BIA	Burma Independence Army
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BNA	Burma National Army
BOJ	Burma Office Japan
BSPP	Burma Socialist Programme Party
CAP	Consolidated Appeal Process
CIA	Central Intelligence Agency
CLMV	Cambodia, Laos, Myanmar and Vietnam

CLM-WG	CLM (Cambodia, Laos and Myanmar) Working Group
CPB	Communist Party of Burma
CS	Cabinet Secretariat
DAC	Development Assistance Committee
DMLSDM	Diet Members' League in Support of Democracy in Myanmar
DPJ	Democratic Party of Japan
DPRK	Democratic People's Republic of Korea
EAS	East Asia Summit
ECB	Economic Cooperation Bureau (MOFA)
EPA	Economic Planning Agency
ESCAP	Economic and Social Commission for Asia and Pacific
FDI	Foreign Direct Investment
FPA	Foreign Policy Analysis
FTA	Free Trade Agreement
GSP	Generalized System of Preferences
ICFTU	International Confederation of Free Trade Unions
ILO	International Labour Organization
IMF	International Monetary Fund
IR	International Relations
JBF	Japan Business Federation
JCCI	Japan Chamber of Commerce and Industry
JCP	Japanese Communist Party
JMA	Japan-Myanmar Association
JMCCIBCC	Japan-Myanmar Chamber of Commerce and Industry Business Cooperation Committee
JMFA	Japan-Myanmar Friendship Association
JMJEC	Japan-Myanmar Joint Economic Committee
JMPEPL	Japan-Myanmar Parliamentarians' Exchange Promotion League



JMPFL	Japan-Myanmar Parliamentarians' Friendship League
JTUC	Japan Trade Union Confederation
JVC	Japan International Volunteer Center
KNU	Karen National Union
LDP	Liberal Democratic Party
LLDC	Least among Less Developed Countries
MCEDSEA	Ministerial Conference for Economic Development of South-East Asia
MEMI	Myanmar Economic and Management Institute
METI	Ministry of Economy, Trade and Industry
MGC	Mekong-Ganga Cooperation
MJTPC	Myanmar-Japan Tourism Promotion Committee
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOGE	Myanmar Oil and Gas Enterprise
MOJ	Ministry of Justice
NAAB	North American Affairs Bureau (MOFA)
NCGUB	National Coalition Government of the Union of Burma
NFP	New Frontier Party
NGO	Non-Governmental Organization
NHK	<i>Nippon Hōsō Kyōkai</i> (Japan Broadcasting Corporation)
NLD	National League for Democracy
NPN	New Party Nippon
NPS	New Party <i>Sakigake</i>
ODA	Official Development Assistance
OISCA	Organization for Industrial, Spiritual, and Cultural Advancement
PDP	Parliamentary Democracy Party
PFB	People's Forum on Burma
PLSMG	Parliamentarians' League to Support the Myanmar Government

PNP	People's New Party
PRC	People's Republic of China
PRP	People's Revolutionary Party
RFCP	Red Flag Communist Party
ROK	Republic of Korea
RUSU	Rangoon University Students' Union
SEATO	Southeast Asian Treaty Organization
SDF	Self-Defence Forces
SDP	Social Democratic Party
SDPJ	Social Democratic Party of Japan
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
SPF	<i>Sasakawa</i> Peace Foundation
SSACF	<i>Sasakawa</i> Southeast Asia Cooperation Fund
TAC	Treaty of Amity and Cooperation in Southeast Asia
TBBC	Thailand Burma Border Consortium
TBS	Tokyo Broadcasting System
TCM	The Consultant's for Myanmar
TPC	Trade Policy Committee
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNCTAD	UN Conference on Trade and Development
USDA	Union Solidarity and Development Association
USSR	Union of Soviet Socialist Republicans
WFCP	White Flag Communist Party

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## DECLARATION

I hereby declare that this thesis is my own work of research. In preparing this thesis, I followed the guidelines established in the Guide to Examinations for Higher Degrees by Research of the University of Warwick. This thesis has not been submitted for a degree at any other university.

Kazunari Morii

## NOTES

There is a persistent debate on whether ‘Burma’ or ‘Myanmar’ is appropriate to be used as the name of the country. This debate is often linked with the user’s stance toward the country’s domestic political problem and thus has been a source of headache for many academics and observers. This thesis uses ‘Myanmar’ simply in line with the official usage of the Japanese government, which is the main analytical object of this thesis, without any prejudice regarding the correctness of any other usages. This thesis uses ‘Myanmar people’ when referring to the aggregate of the people in Myanmar. Also, this thesis basically uses the current names of the cities and regions: for example Yangon rather than Rangoon. Direct quotations, references and parts of proper nouns are exceptions.

In terms of the names of Japanese individuals, this thesis writes the surname first in line with Japanese common usage. As Myanmar people do not have a surname this thesis writes the individual’s first name only except in cases in which the individual is commonly called by a popular name. For example, this thesis uses ‘Aung San Suu Kyi’, which is a popular name combining her father’s name Aung San with her own name Suu Kyi.

While the author is an official of the Ministry of Economy, Trade and Industry of the Government of Japan, none of the contents of this thesis represent the official stance of the Government of Japan. This thesis is purely an academic work based on the author’s own interest and responsibility.

## ABSTRACT

This thesis engages in the debates on Japan's foreign policy objectives and direction in the post-Cold War era by examining the case of Japan's Myanmar policy with a particular focus on the question as to why Japan maintained its engagement policy line, although shifting to a more critical one, toward the Myanmar military government which was established in 1988. This thesis employs the analytical framework of neoclassical realism, recognizing international structure as the primary determinant of a state's foreign policy while at the same time shedding light on domestic level factors, namely policy-makers' perceptions, the government's resource mobilization and the domestic policy-making system as intervening variables that incorporate international structural incentives into a state's actual conduct of foreign policy.

In conclusion, the empirical study reveals that Japan adhered to an engagement policy primarily because of Japanese policy-makers' perceptions that it was the most practical and effective policy to promote Myanmar's political and economic development, which would eventually contribute to regional stability and progress. This indicates a persistent feature of Japan's foreign policy which can be described as 'problem-driven pragmatism', or Japan's behavioural pattern of taking actions in response to concrete problems and pursuing practical problem-solving for bringing about incremental and pragmatic improvements in the problems by making necessary compromises with structural pressures and existing systems.

This thesis makes a distinctive contribution from three aspects: providing new empirical evidence which fills the gap in conventional debates on Japan's Myanmar policy objectives; proposing 'problem-driven pragmatism' as a new model of Japan's foreign policy which addresses the shortcomings of existing arguments; and, affirming the applicability and efficacy of neoclassical realism for foreign policy analysis with the implication that it is necessary to examine multiple foreign policy agendas and multi-dimensional international structure in comprehending the critical tradeoffs that a state often faces.

# Introduction

This thesis engages in the debates on Japan's foreign policy objectives and direction in the post-Cold War era. Japan's foreign policy debates in the post-Cold War era became focused on changing aspects of Japan's foreign policy caused by transitions in the international structural environment and in domestic policy-making (Samuels, 2007; Shinoda, 2006; Green, 2001). These debates tended to focus on transitions in Japan's foreign and security policy vis-à-vis the U.S., the People's Republic of China (PRC) and North Korea, which were deeply linked with Japan's urgent security interests or the regional power balance. In some areas, however, Japan's foreign policy apparently shows persistent continuity despite international and domestic transitions. This thesis is an attempt to put forward a consistent explanation regarding the development of Japan's foreign policy in the post-Cold War era in order to answer the following questions: as a whole, how and why has Japan's foreign policy been, or not been, transformed in the post-Cold War era? Can existing arguments in Japan's foreign policy studies put forward a plausible explanation for such a development in Japan's foreign policy?

This thesis argues that Japan's foreign policy reveals a persistent characteristic of 'problem-driven pragmatism', which refers to Japan's behavioural pattern to pursue practical problem-solving in response to the development of particular problems. In doing so, Japan tends to attempt to make gradual and pragmatic improvements in the problems in parallel with making necessary compromises with structural pressures and existing systems. This nonetheless does not argue that Japan is simply reactive to structural pressures. Rather, Japan identifies the foreign policy problems and examines the tradeoffs among foreign policy options imposed by multi-dimensional international structure based on its relatively coherent set of perceptions: Japan generally has a



conservative assessment of the international and local political structure while at the same time having an evolutionary perspective on international economic development and multilateral frameworks. Japan actually reflects these perceptions into its responses to the development of foreign policy problems, in many cases in a low-key and risk-averse manner.

Debates on post-war Japan's foreign policy have focused on its peculiarity in maintaining a low-profile and risk-averse foreign policy even after becoming the second largest economy in the world. In the post-war era, Japan's basic policy prioritized economic development and the construction of friendly foreign relationships in a low-risk and low-profile manner by preserving a close and comprehensive partnership with the U.S. Japan's basic foreign policy orientation during the Cold War era has often been represented by the Yoshida doctrine, which is characterized by a light armament and economy-first policy, the separation of politics and the economy, international non-interventionism, and a priority placed on the Japan-U.S. Security Treaty.<sup>1</sup> In explaining such a peculiar feature of Japan's foreign policy, Calder emphasizes the extensive impact of foreign pressures due to Japan's fragmented policy-making and proposed a 'reactive state' model (Calder, 1988);<sup>2</sup> while Heginbotham and Samuels explained Japan's coherent strategy to pursue techno-economic interests by suggesting a 'mercantile realism' model (Heginbotham and Samuels, 1998); and, Katzenstein focuses on Japan's domestic norms as the source of Japan's security policy (Katzenstein, 1996). Hook takes a middle ground position, describing the characteristic of Japan's foreign policy as 'quiet diplomacy', or "a range of consistently low-risk and low-profile international initiatives" in which a reactive tendency and rapid policy initiatives coexist

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<sup>1</sup> Although Prime Minister Yoshida Shigeru, who set out the foundation of this orientation right after the Second World War, did not intend to keep this position as the basic policy orientation for a long period, it gradually became institutionalized into the domestic political system as the principle policy orientation.

<sup>2</sup> This model sparked a reactive-proactive debate in Japan's foreign policy studies. On this debate, for example, see Potter and Sudo (2003). Miyashita and Sato examine and rebut the 'reactive state' model by arguing that Japan takes U.S. pressure into account based on its own preferences. See Miyashita and Sato (eds) (2001).

(Hook, et al., 2005: 75-78).<sup>3</sup>

In the post-Cold War era, Japan's incremental shifts in its foreign and security policy began to be highlighted. By recognizing the impact of the changing strategic environment surrounding Japan, Green points out Japan's gradual but steady realist turn, which he called 'reluctant realism', especially in its Asian policy (Green, 2001); while Berger focuses on Japan's optimal adaptation to international conditions based on pragmatic liberalism, describing it as an 'adaptive state' (Berger, 2007: 262-268).<sup>4</sup> Samuels highlights the diversification of domestic discourses on Japan's 'grand strategy' caused by the post-Cold War transitions in international structure (Samuels, 2007: 1-9). Shinoda examines the transition in Japan's domestic policy-making system, insisting on the emergence of *Kantei*-led<sup>5</sup> security policy-making as an essential change in Japan's foreign policy (Shinoda, 2006).

Despite showing a more or less similar tendency, Japan's foreign policy toward Southeast Asia revealed relatively proactive and autonomous features on some occasions. Those denying the lack of strategic consideration in Japan's foreign policy regard such features as evidence that Japan has its own perceptions or preferences, at least in its policy toward Southeast Asia, which has been assumed to be a strategically vital region for Japan (Miyagi, 2004; Sudo, 2002; Hirata, 2001). Recent historical research on Japan's foreign policy toward Southeast Asia during the Cold War era also points out Japan's unique perception of the regional political structure in Southeast Asia, such as Prime Minister Ikeda's anti-communism strategy toward Indonesia and

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<sup>3</sup> According to Hook, while showing a reactive tendency in such cases as Japan's response to the Gulf War and the setting up of normalization talks with the PRC, the Japanese government occasionally showed prompt and proactive decision-making, for example to ensure its oil supply from Middle Eastern countries in response to the oil crisis in 1973 (Hook, et al., 2005: 76).

<sup>4</sup> Berger portrays Japan's general policy orientation as one of liberalization and opening-up of its economy and a positive commitment to international institutions on both economic and security issues (Berger, 2007: 267-268).

<sup>5</sup> The *Kantei* idiomatically refers to the Prime Minister and the Cabinet Secretariat (CS, *Naikaku Kanbō*).

Myanmar (Yoshitsugu, 2009; Hatano, and Sato, 2007). On the other hand, those emphasizing Japan's reactive and immobile behavioural pattern recognize Japan's Southeast Asian policy as almost a dependent variable of the U.S. Asian policy. Sato, for example, claims that Japan's policy toward Southeast Asia as a whole has been basically in line with the U.S. strategy toward Asia, discounting its proactive features as just sporadic (Sato, 2006). From this perspective, Japan's proactive approaches toward Southeast Asia in high-politics issues in the post-Cold War era, such as its mediation role in Cambodia, are recognized as a new tendency in Japan's foreign policy. Green notes that post-Cold War Japan's proactive policies in Asia are Japan's realistic response to the transformations of international structure, such as the declining commitment of the U.S. to Asia or the PRC's increasing presence in Southeast Asia (Green, 2001).

An essential question underlying this series of debates is whether Japan's foreign policy has been primarily determined by international structure or domestic factors. After all, however, most arguments take both international and domestic factors into account, explicitly or implicitly, in explaining Japan's foreign policy. It is, hence, more meaningful to focus on the way that such international and domestic factors interact with each other in formulating Japan's foreign policy. This question is particularly important in understanding post-Cold War Japan's foreign policy because, while Japan has arguably experienced significant changes in both the international structural environment and domestic policy-making in the post-Cold War era, it has not yet been comprehensively explained how such changes in international and domestic factors have linked with each other and formulated Japan's foreign policy direction. It is therefore necessary for Japan's foreign policy studies to bridge the gap among existing arguments, both in Japan's foreign policy in general and in its Southeast Asian policy in particular, so as to comprehend post-war Japan's foreign policy direction and its development in the post-Cold War era.

In conclusion, this thesis argues that international structure sets the primary constraints on Japan's foreign policy while domestic factors including policy-makers' perceptions, the government's resource mobilization and the domestic policy-making system have substantial impacts on Japan's choices of particular foreign policy direction within the tradeoffs that Japanese policy-makers are facing. This thesis also argues that Japan has a behavioural pattern in the conduct of foreign policy, in that the Japanese government has a tendency to be motivated by concrete problems and to pursue practical problem-solving by making necessary compromises with structural pressure imposed by multiple dimensions of international structure. This is the major reason that Japan's foreign policy is often recognized as 'non-strategic' or 'pragmatic' while being motivated by its certain conception of national interests.

This thesis can also be understood as an attempt to explain Japan's 'pragmatic' foreign policy. Many scholars have pointed out Japan's 'pragmatism' in explaining Japan's foreign policy, which seems to be that of 'non-strategic' behaviours from a structural realist perspective; yet in many cases the same scholars do not give a precise meaning for pragmatism. The 'comprehensive security' argument, for example, attempts to explain Japan's original conception of security which covers not only traditional inter-governmental security but also economic and other dimensions of security (Akaha, 1991). The 'mercantile realism' argument is another example explaining Japan's 'pragmatism' by pointing out Japan's priority of techno-economic interests, which is apparently inconsistent with the premise of structural realism but still rational enough to ensure Japan's pragmatic interests (Heginbotham and Samuels, 1998). This thesis will explain Japan's 'pragmatism' by revealing the way that Japan's basic perceptions of multiple agendas and multiple dimensions of international structure actually shaped Japan's 'pragmatic' foreign policy.

This thesis derives a model of 'problem-driven pragmatism' from an empirical

case study of Japan's Myanmar policy. In the case study, this thesis addresses the question as to why the Japanese government maintained its engagement policy line, although gradually shifting to a more critical version, toward the Myanmar military government, which faced strong international criticism due to its infringement of the value of democracy and human rights since Myanmar's domestic political turmoil from 1988 to 1990, despite the transformations of the international structural environment and domestic factors in the post-Cold War era. This thesis argues that it is primarily because of Japanese policy-makers' perceptions that an engagement approach was the only practical and the most effective policy line in promoting Myanmar's postcolonial nation-building and development, which would eventually contribute to regional stability and progress. The Japanese government has therefore been seeking incremental and pragmatic solutions to the Myanmar problem together with the maintenance of regional political stability by often making necessary compromises with structural constraints.

The underlying factors that had sustained Japan's pre-1988 friendship engagement, including weak structural pressures, domestic policy-making inertia, pro-engagement domestic actors' support as well as policy-makers' expectations about the Myanmar government's goodwill to follow the Asian developmental state model, had been significantly eroded by the early 2000s. This led to shift the mode of Japan's engagement policy to a more critical one in accordance with transitions in policy-makers' perceptions, the government's relationships with domestic actors and the domestic policy-making system. Especially in the early 2000s, the Japanese government somewhat actively committed to critical engagement, rather than reorienting to a sanctions approach or an unconditional support approach, based on its conservative assessment of international political structure and local power configurations as well as its identification of national interests in Southeast Asian regional political and economic development.

Japan and Myanmar have a shared history rooted in Japan's active involvement in the process toward Myanmar's independence before and during the Asia Pacific War. In the post-war era, following the war reparations agreement in 1954 and the 'quasi-reparations' (*jun-baishō*) agreement in 1963, and in parallel with the expansion of Japan's overall Official Development Assistance (ODA) budget, Japan began to increase its ODA disbursement to Myanmar. This resulted in Japan becoming Myanmar's most important donor by the late 1970s. In August 1988, after a serious economic downturn, there emerged an extensive public movement against the Ne Win military regime in Myanmar, resulting in the so-called '8888 Uprising'.<sup>6</sup> Subsequently, having seized power by a coup within the military in September 1988, the new military government, the State Peace and Development Council (SPDC),<sup>7</sup> has been in power for more than two decades. The SPDC ignored the result of a landslide victory at the 1990 general election by the National League for Democracy (NLD)<sup>8</sup> led by Aung San Suu Kyi.<sup>9</sup> This resulted in the Myanmar problem being recognized as one of the most controversial issues of democracy and human rights protection in international society, especially in Western countries.

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<sup>6</sup> The '8888 Uprising' was a widespread anti-government public demonstration in Myanmar that occurred from 8 August 1988. Although there had already been an anti-government demonstration by university students in Yangon in March 1988, the scale of the '8888 Uprising' became so large that the Ne Win regime could not simply crack down. On the '8888 Uprising', see Sakuma (1993: 110-143). Also, as a record of the '8888 Uprising' and its aftermath in Yangon written by a Japanese official at the Japanese Embassy in Myanmar, see Fujita (1989).

<sup>7</sup> The new military government was initially named the State Law and Order Restoration Council (SLORC), which was abolished and reconstituted as the SPDC in 1997. This thesis will use the SPDC to refer to both the SLORC and the SPDC in order to avoid terminological confusion by considering their substantial organizational continuity.

<sup>8</sup> The NLD was established by anti-government leaders including Chairman Aung Gyi, Vice-Chairman Tin Oo and General Secretary Aung San Suu Kyi on 24 September 1988. Aung Gyi later opted out of the NLD and formed another party because of opposition from Tin Oo and others on expelling communists from the NLD. The NLD became popular through the name of Aung San Suu Kyi who vigorously complained against the Ne Win regime at the time of the '8888 Uprising'.

<sup>9</sup> Aung San Suu Kyi is Myanmar's independence hero Aung San's daughter. Having been abroad since 1960 when her mother was appointed as Myanmar's Ambassador to India, she studied at the University of Oxford in the UK and later married Michael Aris, a British scholar of Tibetan studies. On returning to Myanmar to take care of her sick mother in April 1988, she suddenly became very popular as an anti-government leader, especially since her speech at the Shwe Dagon Pagoda on 26 August 1988, which reportedly gathered hundreds of thousands of people.

During the two decades since the ‘8888 Uprising’, Japan’s basic stance toward the Myanmar problem has shown minimal change, at least in observing actual policy implementation. By maintaining direct contact with Myanmar political leaders, including both SPDC and NLD members, the Japanese government repeatedly encouraged Myanmar’s political and economic reforms through bilateral talks, official statements, policy dialogues and other means. At the same time, Japan has continued to provide economic assistance for humanitarian purposes and on-going yen loan projects on a case-by-case basis since February 1989, yet without agreeing any new yen loans and substantially decreasing the amount of ODA disbursement compared to the pre-1988 period. Still, Japan has occasionally attempted to provide, and in some cases actually provided, larger economic assistance for politically controversial projects, especially from the mid-1990s to the early 2000s. This caused repeated criticisms against Japan’s engagement policy line, not only from the U.S. and other Western governments, which have promoted economic sanctions, but also from anti-SPDC groups in Japan and outside.

Within Japan’s foreign policy studies, Japan’s Myanmar policy remains an understudied area in spite of its significance in Japan’s strategy toward Southeast Asia. Most previous research has been carried out by regional study scholars as part of Myanmar studies, in many cases focusing largely on Japan’s ODA disbursement to Myanmar (Kudo, 2007; 1997a; Nemoto, 2007; Holliday, 2005; Steinberg, 2001; 1993; Saitō, 1992). Only recently have some scholars of Japan’s diplomatic history begun to focus on Japan’s anti-communist strategy toward Myanmar in the 1960s by utilizing recently disclosed diplomatic archives (Yoshitsugu, 2009; Hatano and Sato, 2007). Hence, there are only a small number of previous studies on post-1988 Japan’s policy toward Myanmar from the perspective of Japan’s foreign policy analysis, which mostly remain as partial or hypothetical arguments without being fully substantiated by

first-hand evidence (Dalpino, 2007; Pongyelar, 2007; Seekins, 2007; 1999a; 1999b; Strefford, 2006; 2005; Green, 2001: 179-192). Others focus more on Japan's foreign aid policy, taking Japan's ODA provision to Myanmar as a case of Japan's foreign aid policy-making (Sugishita, 1999: 402-409; Orr, 1990: 85-86), or examine Japan's foreign aid objectives in relation to the values of democracy and human rights, which was declared as one of four ODA principles in the 1992 ODA Charter (Strefford, 2007; Watanabe, 2001: 78-80; Arase, 1993: 946).

There is a substantial gap in understanding of the determinants of Japan's Myanmar policy amongst these scholars. One of the main issues is whether the Japanese government held any coherent objectives in its Myanmar policy or not. There seem to be strikingly different perspectives on this issue, even concerning Japan's war reparations and economic assistance toward Myanmar before 1988. Those who deny that the Japanese government had coherent objectives regard the main reason for Japan's massive amount of foreign aid to Myanmar during the Cold War era as either a result of shared history and personal ties among political and business leaders in both countries (Nemoto, 2007), or it was a result of domestic special interests and rent-seeking activities regarding individual ODA projects (Seekins, 2007; Strefford, 2005; Saitō, 1992). The characteristics of Japan's ODA policy-making such as weak administrative capacity, poor evaluation mechanisms and fragmented decision-making power are also raised as supporting factors in explaining Japan's aid to Myanmar (Seekins, 2007; 1992; Steinberg, 1993). In contrast, recent historical research focuses on Prime Minister Ikeda's anti-communism strategy in agreeing on war reparations renegotiation in the early 1960s and concludes that it was to prevent Myanmar from being drawn into the PRC's sphere of influence (Yoshitsugu, 2009; Hatano and Sato, 2007). Kudo also notes the changing objectives of Japan's economic assistance to Myanmar from mercantile interests to broader foreign policy goals by the 1970s at the latest (Kudo, 1997a).



These different perspectives have led to differences in understanding about Japan's post-1988 foreign policy toward Myanmar. The advocates of a lack of coherent objectives regard Japan's post-1988 engagement policy as a result of preserving the pre-1988 structure (Nemoto, 2007; Strefford, 2005), or of the constraining effect of Myanmar's accumulated debt as a burden of the pre-1988 policy (Strefford, 2006). On the other hand, by assuming Japan's shift to a more realistic perspective, Green considers Japan's nuanced engagement as a product of international political concerns, regarding it as an attempt to strengthen the strategic partnership with ASEAN to counterbalance the PRC (Green, 2001: 179-192); or part of a balance-of-threat strategy to gain other countries' confidence as an honest broker (Holliday, 2005). Others employ mixed approaches, considering the effects of U.S. pressure, the PRC's increasing presence, and domestic special interests as key factors in Japan's policy-making (Pongyelar, 2007; Seekins, 2007). Japan's identity as a democratic country (Pangyelar, 2007), domestic competition between the pro-SPDC coalition and the pro-democracy coalition (Seekins, 2007), and the emerging roles of humanitarian NGOs (Dalpino, 2007) are also raised as factors to be taken into account.

These gaps in understanding about Japan's objectives in its Myanmar policy stem from what those scholars assume are the Japanese government's primary concerns. Green's 'reluctant realism' focuses on Japan's increasingly realistic responses to international political relations, yet fails to explain the continuity of Japan's engagement policy since the Cold War era. 'Mercantile realism', on the other hand, looks at Japan's primary interest in international economic relations and its implications for security issues, yet fails to give a plausible explanation for Japan's Myanmar policy so far. The scholars of Myanmar studies tend to focus on bilateral relationships and assume the primacy of special interests in ODA provision or special relationships among political and business elites, paying little attention to Japan's foreign political and economic

strategy at the macro level. Using substantial empirical evidence, this thesis reveals that the Japanese government recognizes Myanmar as a postcolonial country in the process of nation-building and development, considering that Japan should respect Myanmar's state sovereignty and encourage its political leaders' efforts, which could result in promoting regional political stability and economic development as well as establishing Japan's international political standing without causing bilateral frictions. Based on this perception, the Japanese government has been taking action in response to the development of the Myanmar problem in order to pursue incremental and pragmatic solutions by making necessary compromises with structural pressures.

There are four rationales in using Japan's foreign policy toward Myanmar as a case study in this thesis. Firstly, Myanmar shares a significant place in post-war Japan's foreign policy toward Southeast Asia, even if Myanmar's relative importance within Japan's foreign policy agendas has shifted from time to time. The Myanmar problem has by no means been a security threat to Japan, nor has it had a critical impact on the global power balance or on Japan's economic security. The Japanese government, nonetheless, has recognized Myanmar's significance because of several factors: its regional geopolitical location, economic and natural resources potential, and the Japan-Myanmar bilateral friendship. Myanmar is also important because of its place within international political agendas, including the Cold War confrontation, the North-South problem as well as postcolonial countries' nation-building, and development and democratization in East Asia. Especially since the '8888 Uprising', Myanmar has become internationally recognized as posing one of the most controversial problems for democratization and human rights protection in Southeast Asia. This has made the Myanmar problem a major regional political issue which, since the late 1990s, has required the involvement of Japan's senior political leaders in the policy-making process. Japan's Myanmar policy, therefore, could be considered as an indicative case in understanding the transitions in Japan's international strategic

environment, its foreign policy objectives toward Southeast Asia, as well as the role of domestic policy-making in the conduct of foreign policy in the post-Cold War era.

The second rationale for focusing on Myanmar is that the Myanmar problem in the post-Cold War era consisted of multiple agendas which posed several policy options to the Japanese government. Since the 1990s, the Myanmar problem has been placed within the structure of regional power politics, international economic relations, non-traditional security issues, as well as international politics and values. This has meant that the multiple agendas of the Myanmar problem, without any default hierarchical priority, offer tradeoffs and options to other governments' policy-makers in deciding Myanmar policy. Accordingly, whereas the U.S. and other Western governments internationally politicized Myanmar by highlighting Myanmar's domestic mass movements with a focus on Aung San Suu Kyi as the icon of the democracy movement, neighbouring governments tended to be concerned about regional political stability, pragmatic political and economic interests, or the spillover effects of non-traditional security issues. By analyzing Japan's policy toward Myanmar, therefore, it is possible to uncover what Japan's foreign policy priorities were, particularly toward Southeast Asia, in the post-Cold War era.

Thirdly, this empirical study provides key evidence for academic debate within Japan's foreign policy studies because Japan's Myanmar policy apparently cannot be fully explained by existing arguments within the field. The Japanese government, on the one hand, has found few substantial economic interests in Myanmar since the 1960s despite arguments consistently put forward by many Japanese policy-makers and business circles that Myanmar has significant future prospects. On the other hand, the Japanese government has been persistently attempting to engage Myanmar in spite of U.S. pressure to join the Western governments' sanctions policy, even if Japan's engagement was occasionally affected and modified by U.S. influence. This means that

neither the 'mercantile realism' model nor the 'reactive state' model fit this empirical case very well. Furthermore, as Green himself admitted, there is not sufficient evidence that the China factor has been a direct and primary reason for Japan to engage with Myanmar in the post-Cold War era, even if it is presumably an indirect reason (Green, 2001: 179-192). It is therefore meaningful for Japan's foreign policy studies to analyze Japan's objectives in its Myanmar policy and to examine how far such objectives can be generalized into Japan's grand strategy and, more specifically, its strategy toward Southeast Asia.

Finally, Japan's policy toward Myanmar is not an exceptional case. Insightful implications can be extracted because the tradeoffs that the Japanese government has faced in the conduct of its Myanmar policy are largely common to other cases within Japan's foreign policy. These tradeoffs include the choice between partnership with the U.S. or the promotion of an Asian way; the encouragement of gradual change in Myanmar or more radical change; conducting its autonomous policy regardless of the international repercussions or advocating certain sets of values in order to gain international prestige; and, choosing low-risk policy options or taking the risk of being criticized both internationally and domestically. These choices are related to conventional questions of Japan's foreign policy: Asia or the West? Pragmatism or idealism? Autonomy or prestige? Or, to be a system rider or a system creator? Japan's Myanmar policy is, therefore, appropriate to show Japan's priority in foreign policy objectives by examining Japanese government's perceptions and actual behaviour.

This thesis conducts an empirical case study and draws the argument of 'problem-driven pragmatism' from the perspective of neoclassical realism. Neoclassical realism regards international structure as the primary determinant of a state's foreign policy and assumes that such structural pressures are transmitted into actual foreign policy by a state's domestic factors (Taliaferro, et al., 2009; Rose, 1998). Thus, practical

restrictions on policy-makers' rational responses to structural pressures, such as policy-makers' perceptions, the government's resource mobilization and the domestic policy-making system, are presumed to have an impact on a state's conduct of foreign policy. By employing the framework of neoclassical realism, this thesis can shed light on both international and domestic factors in order to bridge the gap between the debates on Japan's international structural environment and the ones on Japan's domestic policy-making. As a result of the case study, this thesis reveals that the Japanese government has actually been behaving within the constraints of international structure whilst at the same time deciding its actual conduct of foreign policy based on policy-makers' perceptions of multiple agendas of concern and tradeoffs imposed by multiple dimensions of international structure.

In so doing, this thesis also tests the applicability of using a neoclassical realism framework to analyse Japan's foreign policy, thereby providing insights into the efficacy and limitations of such a framework on foreign policy analysis in general. The conclusion of this thesis is that the framework of neoclassical realism is effective in analyzing Japan's foreign policy, and presumably a state's foreign policy in general. Besides, this thesis suggests that, in operationalizing the framework, it is necessary to shed light on multiple agendas and multiple dimensions of international structure in order to highlight the tradeoffs that a state often faces in its actual conduct of foreign policy.

This study employs semi-structured interviews and archival research as primary research methods in creating an empirical case study. As the key focus of this thesis is on Japan's foreign policy-making in which various policy-making actors participate from different strategic perspectives, it is essential to collect first-hand evidence of each policy-making actor's perceptions, objectives and actual behaviour by conducting face-to-face interviews with them. Official documents, public statements,

white papers and other materials disclosed or published by the government and government-related institutions will also be investigated as key evidence. Other data and materials including statistics, journals and newspapers, web resources, as well as academic and non-academic books and articles will be utilized as necessary to supplement the above evidence.

This thesis makes distinctive contributions in three academic fields: Japan's Myanmar policy debate, Japan's foreign policy analysis, particularly on Southeast Asian policy, as well as foreign policy analysis theories. Firstly, this thesis puts forward a hypothetical explanation of Japan's foreign policy toward Myanmar based on first-hand empirical evidence. Whilst previous studies on Japan's Myanmar policy either simply discount the Japanese government's coherent policy objectives or focus too much on international political considerations, this study points out Japan's multi-dimensional perceptions of the East Asian regional structure and how its pragmatic objectives toward the Myanmar problem stemmed from its emphasis on regional political stability and gradual development. This thesis also has a distinctive feature in examining Japan's policy-making process and actors in a comprehensive manner. As a whole, this thesis provides new evidence which was missing from previous empirical studies, filling the gap on academic debates on Japan's foreign policy toward Myanmar.

Secondly, this thesis contributes to Japan's foreign policy analysis by revealing Japan's unique and persistent perception of a multi-dimensional international structure as well as the distinctive setting of political and economic objectives in Japan's foreign policy, especially toward Southeast Asia. It is highly likely that such objectives were often pursued in an ambiguous and opportunistic manner in a compromise between constraining factors such as the development of the Myanmar problem and the costs and benefits given by international structure. Yet, in contradiction to the premise of the 'reactive state' model, such factors have never fundamentally altered Japan's policy

orientation. Besides, Japan's Myanmar policy was not primarily motivated by mercantile interest, which is assumed by the 'mercantile realism' model, at least since the 1960s. In addition, the 'reluctant realism' model does not give a plausible explanation for this case study in two aspects. Firstly, Japan held balance-of-power considerations even during the Cold War era, when conducting its anti-communism strategy against the PRC in the early 1960s. Secondly, while the Japanese government increasingly became concerned about the PRC's influence in Southeast Asia, especially from the late 1990s, its initial and primary motivation in Myanmar policy was not to counterbalance the PRC. In other words, the Japanese government would have conducted an engagement policy even if the PRC had not expanded its presence in the region. This thesis, therefore, proposes 'problem-driven pragmatism' as a model to present new insight for Japan's foreign policy analysis.

The third contribution this thesis makes to the academic field is to draw theoretical implications with regard to the efficacy and applicability of neoclassical realism for analyzing a state's foreign policy. As it is an emerging theory of foreign policy analysis, neoclassical realism has not yet been fully tested through a sufficient number of empirical case studies. So far, the analytical framework of neoclassical realism has been mostly utilized for examining a state's 'grand strategy' or its foreign policy toward traditional security and other high-politics issues. When considering that a wider range of foreign policy agendas have become politicized in current international relations, however, it is worth examining whether neoclassical realism is a workable analytical framework and, if so, how it should be operationalized in examining a state's policy toward general foreign policy agendas. While the theoretical argument of this thesis is drawn by a single case study rather than concrete hypotheses substantiated by a number of empirical case studies, this study can still provide an insight into the efficacy and applicability of neoclassical realism for a state's policy toward general foreign policy agendas, particularly in relation to Japan's foreign policy analysis.

As it is based mainly on qualitative research through a single case study, this thesis has a limitation in that the plausibility of any hypotheses drawn need to be tested through future research on related cases to Japan's foreign policy. Japan's realistic assessment of societal and transnational structure could be observed in its policy toward the domestic agendas of, for example, Iran or Cambodia or other postcolonial Asian countries without urgent traditional security interests; while Japan's responses to emerging international political and economic structures could be examined through other cases of Japan's Southeast Asian policy since the late 1990s. Future empirical studies on these cases would contribute to further development of Japan's foreign policy debate.

This thesis consists of six main chapters. In the first chapter, the existing literature on Japan's foreign policy studies will be reviewed in detail. Accordingly, neoclassical realism will be proposed as the theoretical framework of this thesis, followed by a section on the operationalization of neoclassical realism in order to fit the framework into the case of Japan's policy toward Myanmar. In the following four chapters, the empirical case study will be demonstrated. The second chapter will examine Japan's pre-1988 Myanmar policy in order to present Japan's default policy orientation toward Myanmar before the '8888 Uprising'. The third chapter will cover the period from 1988 to 1996, when Japan responded to Myanmar's domestic political turmoil in a low-key manner. The fourth chapter will examine Japan's somewhat proactive Myanmar policy with senior leaders' commitments from 1997 to 2004. Japan's policy toward Myanmar from 2005 to 2008, the period after losing short-term prospects for political and economic development in Myanmar, will be analyzed in the fifth chapter. The concluding chapter will summarize the empirical findings and implications for Japan's foreign policy analysis, discuss theoretical reflections on the empirical study, and make suggestions for future research.



# Chapter 1

## Japan's Foreign Policy and Neoclassical Realism

### *1. Overview*

The main objective of this thesis is to propose 'problem-driven pragmatism' as a new model of Japan's foreign policy in order to address the shortcomings of major conventional arguments about Japan's foreign policy. In so doing, this chapter firstly reviews academic debates within Japan's foreign policy studies with particular interest in their development in the post-Cold War era. One of the major focuses of Japan's foreign policy debates is how to explain Japan's somewhat peculiar responses to structural pressures, which are generally considered to have had a substantial impact on the conduct of Japan's foreign policy. Some explain them as a variation of realism primarily from structural analyses while others regard them as Japan's originality in the conduct of foreign policy by carrying out domestic level analyses. Given the crucial role of international structure the analytical focus should be placed on the dynamic process that Japan perceives of transitions in international structure and how it actually responds to them. This thesis proposes 'problem-driven pragmatism' as a hypothetical explanation of such a dynamic process, in which structural and domestic factors interact with each other.

The model of 'problem-driven pragmatism' is based on neoclassical realism, an emerging theory of foreign policy analysis which regards international structure as the primary determinant of a state's foreign policy yet at the same time sheds light on domestic factors which could prevent the state from responding rationally to structural pressures. In sum, this chapter places this thesis in the context of current academic debates on Japan's foreign policy as well as explains and operationalizes the framework

of neoclassical realism in the context of Japan's foreign policy analysis in order to set up a foundation for the empirical study in the following chapters.

## *2. Debates on Japan's Foreign Policy*

Japan's foreign policy debates, to some extent in parallel with debates concerning foreign policy analysis theories, involve the question as to whether a state's foreign policy is primarily determined by international or domestic factors. In the end, most arguments, at least implicitly, admit both international and domestic factors matter to Japan's foreign policy. It is hence more significant to ask how such international and domestic factors interact with each other in formulating Japan's foreign policy. This question is particularly important in comprehending Japan's post-Cold War foreign policy because, while Japan arguably experienced significant changes in the international structural environment and domestic policy-making in the post-Cold War era, it has not yet been fully explained how such changes in international and domestic factors link with each other and formulated Japan's foreign policy direction.

In terms of international structure, Japan's foreign policy during the Cold War era was more or less influenced by the U.S. as the most significant partner under the Cold War structure. Calder's 'reactive state' model, thus, pays particular attention to the significance of structural factors, emphasizing the extensive impact of U.S. pressure on Japan's foreign policy-making (Calder, 1988). Miyashita counters the 'reactive state' model by emphasizing Japan's own policy choices based on its preferences, yet without denying the substantial influence of U.S. power and policy on Japan's foreign policy-making as a whole (Miyashita, 1999). In other words, U.S. power and policy is generally considered as the critical factor in explaining Japan's foreign policy within the Cold War structure, even if there are different views on the way it influenced the

conduct of Japan's foreign policy.

The collapse of the Cold War structure made it necessary to examine the resulting changes in the international strategic environment surrounding Japan and its impact on Japan's foreign policy. Three major issues are often discussed as the crucial transitions that Japan experienced within post-Cold War international structure: the relationship with the U.S.; the rise of the PRC; and, the emergence of regional frameworks centred on ASEAN. Firstly, there was the issue as to how far and in which direction the changing Japan-U.S. relationship shaped Japan's foreign policy as it became necessary for Japan to review its partnership with the U.S. because of its concern about emerging differences in strategic objectives from the U.S. after the end of the Cold War. In fact, whilst experiencing some friction and adjustments in the bilateral relationship during the 1990s, Japan sought to strengthen its ties with the U.S. and retain U.S. commitment to East Asia, especially after 9/11. According to Kliman, this transition made Japan recognize the further necessity to fulfil demands from the U.S. in such cases as U.S.-led military operations in Afghanistan and Iraq (Kliman, 2006). Hughes and Krauss, on the other hand, point out that it was possible for Japan to retain U.S. support for its own policy agenda, particularly the North Korean abduction issue, in return for giving assistance to the U.S. (Hughes and Krauss, 2007).

Secondly, Japan's response to the rise of the PRC became an issue of intense debate. Facing a newly emerging security and political environment in East Asia, Japan realized the necessity of dealing with the PRC's growing presence and increasing uncertainty in regard to North Korea, especially from the mid-1990s (Samuels, 2007: 135-157; Green, 2001). However, the arguments on how far and what sort of impact the PRC's presence made on Japan's foreign policy have not yet reached a consensus. Green describes Japan's position as a hesitant realist turn, while admitting it is a relative one, arguing that "Japan's fundamental thinking on China shifted from a faith in

economic interdependence to a reluctant realism”, and that Tokyo began to seek “to use multilateral and bilateral security networks to balance, and even contain, Chinese influence” (Green, 2001: 77-79). Mochizuki claims that the Japanese government, while moving away from ‘friendship diplomacy’, perceived both threats and common interests with the PRC, especially in functional issues, leading to its mixed approach of engagement and balancing (Mochizuki, 2007). Whereas scholars point out Japan’s moderate balancing act with the PRC or hedging between Asia and the U.S. (Wan, 2001; Twomey, 2000), the extent to which the shift in power configuration surrounding Japan, including the relationship with the U.S. and the PRC, has transformed Japan’s objectives and indeed shaped the direction of its foreign policy still needs to be further examined.

Thirdly, the impact of emerging regional cooperation and integration centred on ASEAN on Japan’s foreign policy became another discussion issue. In the post-Cold War era, there emerged inter-governmental movements toward the formation of regional cooperation frameworks such as the ASEAN Regional Forum (ARF), ASEAN+3 and the East Asia Summit (EAS).<sup>10</sup> These movements coincided with deepening economic and social interdependence in East Asia in parallel with rapid region-wide economic growth, which created certain mutual interests among governments in the region. Whilst Japan was more or less committed to these regional movements, there is some difference of opinion among scholars as to the determinants of Japan’s responses. Green insists that Japan committed itself to Southeast Asian affairs in order to engage in competition with the PRC and to establish an independent identity from the U.S. (Green, 2001: 167-192). Berger, on the other hand, proposes the emergence of common pragmatic interests, regional institutions and Japan’s own liberal norms as the primary determinants of Japan’s foreign policy, including East Asian policy (Berger, 2007: 262-268). Given that the development of the East Asia regional order in the post-Cold

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<sup>10</sup> These movements were in many cases coordinated and facilitated by ASEAN as the region-wide political framework whose members included all ten Southeast Asian countries in the 1990s.

War era can be understood as a complex and multi-dimensional process (Pempel, 2006: 239-240), therefore, it is essential for scholars of Japan's foreign policy studies to further examine which dimensions and factors of international structure actually influenced Japan's foreign policy direction in order to deepen the debate on the transitions in international structure connected to Japan and their impact on Japan's foreign policy.

In the post-Cold War era domestic level factors also became an issue of academic debate due to substantial changes in Japan's domestic policy-making system and in the actors involved in it. An essential difference in the arguments on Japan's foreign policy exists in their assumptions about Japan's policy-making: the 'reactive state' model regards Japan's policy-making system as fragmented and paralyzed while 'mercantile realism' and 'reluctant realism' models assume a rational and coherent setting of national interests shared by Japanese policy-makers. Calder's 'reactive state' model has a distinctive feature in arguing that Japan's policy-making system has a fragmented and paralyzed nature and thus reveals pragmatic flexibility to U.S. pressure (Calder, 1988).<sup>11</sup> This argument clearly denies Japan's rational perception of international structure and its strategic pursuit of foreign policy objectives.

Miyashita, in contrast, insists that, even when Japan apparently changes its policy by taking U.S. pressure into account, it is not a result of fragmented policy-making but of its own policy choices based on a coherent set of preferences (Miyashita, 1999: 727-728). Heginbotham and Samuels also assume Japan's rationality in its external behaviour, applying a 'mercantile realism' model to Japan's unique set of national interests and Tokyo's strategic pursuit of them (Heginbotham and Samuels, 1998: 190-201). According to Heginbotham and Samuels, Japan strategically pursues its

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<sup>11</sup> According to Calder, Japan carried out economic deregulation in the domestic market and arranged international agreements on trade and financial issues because of strong demands from the U.S., especially in the 1980s (Calder, 1988: 519-526).

techno-economic interests as a primary foreign policy objective, which can be regarded as a rational set of national interests despite the premise of conventional realism which assumes the primacy of security interests in a state's foreign policy (Heginbotham and Samuels, 1998: 190-201). Green's 'reluctant realism' model also assumes a shared setting of national interests among Japanese policy-makers, who gradually increased their attention to security issues and balance-of-power considerations in response to international structural transitions in the post-Cold War era, becoming more sensitive to relative power gains as well as eager to behave proactively in Asia (Green, 2001: 1-10).

Having once described Japan as a 'mercantile realism' country, Samuels recently focuses on the diversification from the Yoshida doctrine of Japan's foreign policy discourses since the 1990s. Samuels points out the emergence of four positions as alternatives to the previously dominant Yoshida doctrine: 'neoautonomists' insisting on national strength and a more autonomous foreign policy; 'normal nation-alists' emphasising national strength, the importance of the Japan-U.S. alliance and the necessity to use the Self-Defence Forces (SDF) for settling international disputes; 'middle power internationalists' advocating the priority of non-military power and legitimacy given by international institutions; and, 'pacifists' championing an unarmed neutrality policy to withhold autonomy (Samuels, 2007: 109-132). In his conclusion, Samuels argues that Japan is still in search of a strategic consensus within the policy-making circle which will constitute the core of Japan's foreign policy direction. It, however, remains unclear what kind of political dynamics among these domestic discourses, which are advocated by different political camps with unequal political power, has emerged and how such a diversification of discourses has actually shaped the conduct of Japan's foreign policy within the policy-making system. Given the coexistence of different discourses within Japan's policy-making circle, it is important to examine how actual foreign policy is formulated among different political camps; through the Prime Minister's leadership, political bargaining and rent-seeking,

bureaucratic coordination or through something else.

In parallel with the above-mentioned debate on Japan's perceptions and objectives, there has been a debate on the effectiveness of Japan's policy-making system. Japan was under the one party dominant system of the Liberal Democratic Party (LDP), the so-called 1955 system, from 1955 to the early 1990s. While Johnson's milestone research on Japan's policy-making system in early periods focused on the power and unique role of Japan's bureaucracy in initiating and coordinating the policy-making process (Johnson, 1982), scholars began to point out the pluralisation of interests and policy-making power within a one party dominant system (Muramatsu and Krauss, 1987; Pempel, 1987). In this system, the Prime Minister was vulnerable to faction leaders or powerful politicians in the LDP, whereas the bureaucracy was generally in a position to initiate and coordinate policy-making even if it did not always succeed in achieving its objectives.

Further debates on the transitions of Japan's policy-making system and their influence on Japan's foreign policy have continued since the 1990s. Shinoda, for instance, demonstrates the emergence of a policy-making process initiated by the *Kantei* in the making of security policy since the 1990s, which was not only a result of changing international structure but also of the transformation of domestic actors (Shinoda, 2006). Great attention has been paid to Prime Minister Koizumi's exercise of *Kantei*-led policy-making for symbolic issues, even though it is considered that many other issues remained in the hands of the vertically divided administration (Tanaka, 2007: 310-311). Although the feasibility of Prime Ministers pushing forward their own political agenda still depends on the stability of their domestic power base, a new political dynamic has become an emerging issue of discussion concerning Japan's foreign policy-making. Nonetheless, it still remains unclear who actually sets the foreign policy agenda, chooses policy-making procedures, provides policy options and

makes decisions in such a process, and how far this new political dynamic impacts on Japan's policy-making system as a whole.

In combination with the issue of Japan's policy-making system, the government's relationship with domestic actors has recently been a focus of attention. Traditionally, the Japanese government's close relationship with the LDP and the business sector was seen by academics as an essential factor in Japan's foreign policy-making under the 1955 system. The Japanese government could enjoy a relatively stable and predictable domestic policy-making process because of close and intensive policy coordination within the so-called 'iron triangle' consisting of mainstream politicians, bureaucrats and business leaders. Japan's foreign policy was thus mostly decided and implemented within this closed circle and the general public was neither much informed about nor interested in foreign policy-making except for symbolic cases such as the anti-nuclear movement and public movements against the Japan-U.S. Security Treaty. Although the power balance within the 'iron triangle' shifted from time to time, the government could in most cases manage its foreign policy capabilities by coordinating relationships with mainstream politicians and business leaders. Yet, as Muramatsu and Krauss noted, Japan's policy-making system increasingly involved serious conflicts of opinions and interests among a wider range of domestic actors, which has made it more difficult for bureaucrats to effectively coordinate the policy-making process since the 1980s (Muramatsu and Krauss, 1987: 549-550).

In addition to these changes, the collapse of the 1955 system seriously shook the traditional policy-making system, increasingly attracting academic interest in the process in which Japan's domestic actors and the mode of their interactions have been transformed since the 1990s. The government's relationship with the Diet, political parties and individual politicians is one of the key issues in this respect. Until the 1990s,



as the LDP's internal decision-making process and its members' formal and informal activities were generally more crucial than formal Diet sessions under the 1955 system, the Diet and non-mainstream politicians could only exert a minor influence on Japan's policy-making (Iio, 2007). Bureaucrats usually coordinated the overall foreign policy direction while mainstream politicians, individually or collectively, often retained a certain influence on the policy-making process, in some cases by carrying out rent-seeking activities. There were, nonetheless, conscious efforts through a series of political reforms from the late 1980s to strengthen the power of the Prime Minister and the cabinet, to make Diet sessions more meaningful, and to restrict excessive rent-seeking activities of politicians (Iio, 2007), the results of which need to be examined in detail.

Another issue in Japan's policy-making system debates is the government's relationship with the business sector. Despite the close government-business coordination under the 1955 system that a 'mercantile realism' model implies, the government's relationship with the business sector also underwent rapid changes from the 1990s. This was for two main reasons. Firstly, from the 1990s, the business sector was a target of political and administrative reform, such as restrictions on private contacts between bureaucrats and business people, and the revision of the Political Funds Control Law which strengthened restrictions on political donations from individual companies to individual politicians. Secondly, the diversification of business interests and the government's deregulation policies transformed the structure of power and interests between the government and the business sector. In foreign economic policy, scholars point out Japan's strategic shift from a mercantilist policy to a more cooperative one in line with factors such as structural change of the domestic economy and industries and the development of international economic regimes (Kohno, 2007: 29-32; Kojo, 2007). Still, some signs emerged of the exploration of new government-business cooperation, which could be observed in Japan's Free Trade

Agreement (FTA) strategy or government-business missions dispatched to develop relations with emerging market countries. It is therefore necessary to further analyse the government's domestic resource mobilization in relation to the Diet and politicians as well as the business sector in order to understand Japan's foreign policy-making in the post-Cold War era.

The government's relationships with other domestic actors including NGOs and the media and the influence of public opinion also became important issues. Hughes, for example, states that Japan's sanctions policy toward North Korea was enabled by support and pressure from a domestic coalition including smaller societal actors who successfully mobilized domestic public opinion (Hughes, 2006). Dalpino also suggests that the Japanese government began to utilize humanitarian NGOs as 'quasi-nongovernmental organizations' which enabled it to circumvent international criticism in implementing humanitarian assistance toward Myanmar (Dalpino, 2007). These arguments indicate the emergence of new patterns in the way that the Japanese government could use domestic resources. Shinoda points out that Koizumi's ability to mobilize public opinion was an essential factor in enabling him to carry out top-down policy-making (Shinoda, 2006: 174-176). These arguments indicate that there are some cases of foreign policy-making in which the role of NGOs, the media and public opinion cannot be neglected in comprehending the conduct of Japan's foreign policy, even if they were still limited on the whole.

This section has reviewed the debates on Japan's foreign policy from the perspectives of both international structural transitions and domestic political changes. In the end, it is undeniable, as Samuels states and most arguments implicitly admit, that both international and domestic factors matter to Japan's foreign policy (Samuels, 2007: 4). Then, how can we connect these debates about international and domestic levels with each other so as to understand Japan's foreign policy as a whole? In order to

answer this question, the way in which international and domestic factors interact with each other in formulating Japan's foreign policy need to be examined. The next section will suggest employing neoclassical realism as an analytical framework for this thesis because it proposes a theoretically consistent explanation of a state's foreign policy by integrating both international and domestic factors.

### *3. Neoclassical Realism*

In analyzing Japan's Myanmar policy, this thesis employs the theoretical framework of neoclassical realism. Neoclassical realism regards international structure as the primary determinant of a state's foreign policy as it sets the structural costs and benefits for a state's policy-makers while recognizing that such structural pressures are transmitted into a state's foreign policy through domestic policy-making which involves practical constraints on policy-makers' rational responses to international structure. The primary reason for employing this framework is that neoclassical realism illuminates the linkage between international structure and a state's domestic level factors, analyzing the impact of international structure on a state's foreign policy which is connected, often imperfectly, by a state's policy-making function. This analytical focus of neoclassical realism will enable this thesis to provide a theoretically informed and comprehensive explanation of Japan's post-Cold War foreign policy by integrating both an international level and domestic level analysis. This section describes neoclassical realism in more detail and distinguishes it from other research programs in foreign policy analysis.

Neoclassical realism has been an emerging theory of foreign policy analysis since the late 1990s. Its basic assumption is that "the scope and ambition of a country's foreign policy is driven first and foremost by its place in the international system and specifically by its relative power capabilities", whereas "the impact of such power

capabilities on foreign policy is indirect and complex, because systemic pressure must be translated through intervening variables at the unit level” (Rose, 1998: 146). From the perspective of neoclassical realism, international structure is not a direct determinant that automatically shapes a state’s foreign policy which can be assumed as the only rational response to structural pressures. Neoclassical realism can also be described as a theory on the functions of the state, which aims to reveal the functional impediments that a state inherently faces in transforming structural pressures into the actual conduct of foreign policy. By making this basic assumption, neoclassical realists focus on the ways that a state’s policy-makers perceive the costs and benefits imposed by international structure, set a state’s foreign policy objectives, mobilize domestic material and non-material support and address differences of opinion amongst themselves within the foreign policy-making system.

By making a two-step analysis consisting of structure level analysis and unit level analysis, neoclassical realism examines the one-way cause-and-effect linkage from international structure to a state’s foreign policy via its domestic policy-making. In addition, by stressing the function of both independent and intervening variables, neoclassical realism holds “a distinct methodological preference—for theoretically informed narratives, ideally supplemented by explicit counterfactual analysis, that trace the ways different factors combine to yield particular foreign policies” (Rose, 1998: 153). This does not mean that neoclassical realism abandons its pursuit of providing theoretically consistent explanations. Ripsman hypothetically proposes a matrix of four possible worlds distinguished by “the clarity of the international system regarding threats, opportunities, and the national interest; and the degree of information it provides on how best to respond to these structural conditions” (Ripsman et al., 2009: 282-283) (see Table 1). Ripsman argues that the coverage of neoclassical realism is: (1) a state’s dysfunctional behaviour in the world with clear information on threats as well as policy responses (World 1); and, (2) a state’s policy choices in the world with clear

information on threats but unclear information on policy responses (World 2); other cases can be explained using structural realism, institutionalism or *innenpolitik* theories. Although this argument needs to be examined further, neoclassical realism should be regarded as a theoretical framework with which to analyze a state's foreign policy based on certain theoretical premises rather than a versatile theory of foreign policy analysis.

Neoclassical realism is a research program aimed at providing a plausible theoretical explanation of a state's foreign policy. It is distinguishable from other international relations (IR) theories of foreign policy analysis that are primarily focused on either the international or domestic level. On the one hand, a major trend of IR theories has been their strong focus on the international structure level after Waltz's suggestion of the primacy of international structural analysis. Waltz, the founding father of neo-realism, proposed three separate levels of analysis in examining international relations: the individual level, the state level and the international structure level (Waltz, 1959). From this analytical perspective, Waltz and other neo-realists concentrated on a structural analysis of the international system by assuming that a state's external behaviours are rational responses to systemic pressures generated by the international distribution of power (Waltz, 1979). An intensive debate between neo-realism and neo-liberalism on the dynamics of the international system was triggered when Keohane and Nye proposed 'complex interdependence', an ideal type of international system which integrated liberal traditions of interdependence theory and international structural analysis (Keohane and Nye, 1989). In essence, however, these research programs could be regarded as explorations to construct benchmark ideal types of international system rather than to explain actual trends of international relations or a state's foreign policy (Keohane and Nye, 1989: 249).

Neoclassical realism can be distinguished from these research programs not only by its focus on the state level but also by its research objectives. By analytically

separating structural and unit levels, neo-realists elaborate the ideal models of international structure by assuming the state as a rational and monolithic actor so as to maintain theoretical parsimony, even though many neo-realists recognize the variety of domestic attributions of states or the complex interactions between international structure and states. Neoclassical realists accept the separation of analytical levels and the primacy of structural factors in attempting to “explain the likely diplomatic, economic, and military responses of particular states to systemic imperatives” although they recognize that neoclassical realism “cannot explain the systemic consequences of those responses” (Taliaferro, et al., 2009: 21). In this regard, neoclassical realism can also be understood as a complementary research program to theories focusing on the structural level in terms of providing explanations about various patterns of state behaviours, which can contribute to understanding the dynamics of international relations more comprehensively.

At the same time, neoclassical realism is distinguishable from the classical realism of Morgenthau, Kissinger, and Wolfers among others in its appreciation of international structural analysis and its adherence to the methodologies of social science (Taliaferro, et al., 2009: 16). Consisting of a wide range of insightful texts, classical realism has not yet developed into a coherent research program that can provide a parsimonious explanation of a state’s foreign policy despite sharing some essential conceptions with neoclassical realism, including the distinction of state power from national power and the practical impediments which a state’s leaders face.

Neoclassical realism can also be distinguished from foreign policy analysis theories focusing on the domestic level, or *innenpolitik* theories. Firstly, neoclassical realists regard the state as the institution primarily in charge of the conduct of foreign policy in which the foreign policy executive plays a proactive role based on its conception of national interest. This shows a clear contrast to the liberal conception of

the state that assumes a highly pluralistic policy-making system which is reactive and accommodative to the interests of domestic individuals and private groups (Moravcsik, 1997). What is more, whereas *innenpolitik* theories emphasize the primacy, or at least the independent role, of domestic factors, neoclassical realism maintains the primacy of international structure in shaping a state's foreign policy. In this regard, even though neoclassical realism pays attention to domestic factors, such factors are assumed to play only an intervening role in transmitting systemic pressures into the conduct of foreign policy.

Meanwhile, there are other theoretical perspectives which attempt to combine international and domestic level analysis. The 'two-level games' model is one such perspective in which Putnam introduces the concepts of game theory in explaining a government's behaviour in international negotiations. This model focuses on a government's bargaining process, which consists of international bargaining with other governments and internal bargaining with domestic actors (Putnam, 1988). This model is usually regarded as a compatible framework to liberal theories due to its emphasis on a government's reactive role in mediating other governments' demands and domestic actors' interests. Neoclassical realism can be distinguished from this model by its emphasis on the primacy of international structure and policy-makers' distinctive role in perceiving international structure, setting national interests and mobilizing domestic capabilities; even if it does similarly assume that policy-makers deal with two-level pressures from international structure and domestic actors (Taliaferro, et al., 2009: 7).<sup>12</sup>

Another theoretical perspective that combines international factors and domestic ones is 'analytical eclecticism' proposed by Katzenstein. According to Katzenstein and Sil, 'analytical eclecticism' is an attempt to explore "new combinations

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<sup>12</sup> Lobell, for example, points out the necessity for policy-makers to deal with both international level threats and domestic level threats by suggesting a complex threat identification model (Lobell, 2009: 46-56).

of assumptions, concepts, interpretations, and methods embedded in explanatory sketches generated by competing research traditions” (Katzenstein and Sil, 2004: 265). In doing so, it employs and combines two or more IR research traditions for the purpose of solving academic problems in international affairs which are simply too complex in nature to explain from just a single theoretical perspective. The ultimate goal of ‘analytical eclecticism’, therefore, is not the development of specific paradigms or research programs but rather the problematization of issues that have never been identified as research problems. This is clearly a different standpoint from neoclassical realism, which attempts to put forward theoretically consistent explanations of a state’s foreign policy based on the theoretical premises of the realist tradition rather than to identify new research problems.

While having a different academic tradition, neoclassical realism could be benefitted from utilizing some concepts of foreign policy analysis (FPA). FPA developed in the post-war era following Richard Snyder’s proposal for a research program on foreign policy decision-making in order to explain the behaviours of various states with strikingly different attributions (Hudson, 2008). Involving a wide range of pre-theoretical conceptions and arguments, FPA has a number of conceptions which are relevant to neoclassical realism analysis. Allison, for instance, applies three models of foreign policy-making to U.S. and USSR responses to the Cuban missile crisis. The three models are: the Rational Actor Model, the Organizational Behaviour Model, and the Governmental Politics Model (Allison, 2008). By proposing different conceptions of a state’s policy-making process, these partial models provide useful analytical tools to examine a state’s foreign policy from multiple perspectives. As neoclassical realism, by relaxing the assumption of complete rationality in a state’s foreign policy, explores intervening variables in the domestic policy-making process, so could the achievements of FPA be utilized as tools to examine domestic variables such



as policy-makers' perceptions and the dysfunctions of the policy-making system.<sup>13</sup>

To sum up, to make up for the shortcomings of neo-realism and *innenpolitik* theories in analyzing a state's foreign policy this thesis will employ the framework of neoclassical realism in analysing Japan's Myanmar policy. This will help give a plausible and theoretically consistent explanation of Japan's post-Cold War foreign policy direction. In so doing, this thesis will also test the applicability of the framework of neoclassical realism to Japan's foreign policy analysis and indicate the efficacy and limitations of the framework of neoclassical realism as a theory of general foreign policy analysis.

#### 4. Operationalizing Neoclassical Realism

This thesis applies the framework of neoclassical realism to the case of Japan's Myanmar policy. Japan's Myanmar policy is a very important case because, despite the changes in international and domestic factors since the '8888 Uprising', the Japanese government has shown persistent adherence to an engagement policy line although the mode of engagement has shifted from time to time. By examining the influences of both international and domestic factors on the making of Japan's Myanmar policy from a neoclassical realist perspective, therefore, this thesis explains how and why Japan's foreign policy, particularly its Southeast Asian policy, has been, or has not been, transformed in the post-Cold War era.

It is firstly necessary to operationalize the framework of neoclassical realism

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<sup>13</sup> Another example of FPA research that can potentially contribute to neoclassical realist analysis is its attempts to capture policy-makers' cognitive and psychological processes and their impact on a state's foreign policy-making. It reveals some cognitive and psychological factors frequently preventing policy-makers from making rational policies anticipated by the rational choice model, including policy-makers' preference for simplicity, desire for consistency, poor estimations stemming from deterministic tendencies, and aversion to loss (Stein, 2008: 104-109).

by making clear its concepts in regard to Japan's foreign policy and Myanmar policy. While most previous studies employing the framework of neoclassical realism focus on a state's 'grand strategy' or policy toward traditional security and other high politics issues, many scholars of Japan's foreign policy studies admit that Japan's foreign policy cannot be fully explained by assuming the primacy of traditional security concerns (Heginbotham and Samuels, 1998; Katzenstein, 1996; Akaha, 1991). More specifically in the case of Japan's Myanmar policy, since the '8888 Uprising' the Myanmar problem has not been a direct security issue for Japan but consists of multiple foreign policy agendas. These include Myanmar's international political and economic relations, democratic legitimacy, human rights protection, nation-building and domestic insurgencies, and other non-traditional security issues. This does not mean that neoclassical realism is irrelevant for an analysis of Japan foreign policy but rather indicates the necessity to operationalize it in an appropriate manner for analyzing Japan's foreign policy. This section, thus, firstly discusses the application of neoclassical realism to an analysis of international structure behind Japan's Myanmar policy; this is the independent variable of neoclassical realism. This is then followed by a domestic level analysis consisting of three intervening variables: policy-makers' perceptions; the government's relationships with domestic actors; and, the domestic policy-making system.

### *(1) Analyzing International Structure*

In analyzing Japan's foreign policy from the perspective of neoclassical realism, an international level analysis needs to be conducted first so as to examine the primary determinant of Japan's foreign policy direction. In so doing, it is necessary for this thesis to consider how to apply the framework of neoclassical realism, which has been mostly utilized for analyzing a state's 'grand strategy' or policy toward traditional security and other high politics issues, to an analysis of a state's policy regarding its

general foreign policy agenda. As mentioned above, many Japan foreign policy scholars admit that Japan's foreign policy cannot be fully explained by simply assuming the primacy of security interests, even if some point out Japan's growing attention to security issues and balance-of-power considerations. Specifically in the case of Japan's Myanmar policy, the Myanmar problem is not a direct traditional security agenda for post-war Japan but consists of multiple issues including conventional international political and economic relations, domestic democratic legitimacy, human rights protection, nation-building and domestic insurgencies, and other non-traditional security issues. In such a case, it is firstly necessary to identify the concerned foreign policy agenda rather than just focusing on a security and high politics agenda which automatically gives secondary significance to other issues.

After identifying the concerned foreign policy agenda, an analysis of international structure needs to be conducted. This thesis defines international structure as the power and policies of states and relevant non-state actors. Most realists have traditionally considered the concept of power as military capability which takes economic and other resources into account in that they can ultimately be converted into military capability. In contemporary international politics, however, the use of military power or the conquest of other nations has become increasingly difficult for states, especially for developed countries, due to the invention of nuclear weapons, the rise of nationalism, a decreasing societal acceptance of war, and increasing concerns for economic objectives (Nye, 2002: 5-7). This by no means suggests that all states actually deny the primacy of military power. It can be, however, rightfully argued that the primacy of military power is not necessarily relevant in general foreign policy agendas, particularly the ones which are not directly linked with urgent security interests. If so, it is analytically advantageous to employ a wider definition of power in analyzing international structure so as to understand the whole picture of the external setting of a state's responses toward a foreign policy agenda of concern.

This leads to the necessity to analyze multiple dimensions of international structure. Nye portrays today's international structure as "a complex three-dimensional chess game" (Nye, 2002: 35-40). In this conception, the top chessboard of politico-military power games is largely dominated by the U.S., whereas the middle chessboard of economic games reveals a multipolar structure of three big powers: the U.S., Europe and Japan, and other emerging powers. The bottom chessboard is the field of societal and transnational relations with a fragmented power structure in which many cross-border activities are out of governmental control. States, thus, need to pursue their policy objectives by simultaneously playing on all three chessboards. In such multi-dimensional international structure, the concerned foreign policy agenda and related actors' reactions to it sets out the chessboards in which actual political games are played. After 9/11, for example, whilst al-Qaeda was an actor on the bottom chessboard in which the U.S. had limited power, the U.S.-led military action against the Taliban made it into a foreign policy agenda on both the top and the bottom chessboards. After winning on the top chessboard by eliminating the Taliban administration, the U.S. could not achieve its policy objective to exterminate al-Qaeda on the bottom chessboard. The international structure setting up the costs and benefits of a state's foreign policy, hence, is constructed as a result of other actors' power, their identification of a foreign policy agenda and their responses to it. This conception regards states as the main actors, especially in terms of politico-military structure, but requires taking non-state actors' power and policies into account, particularly if they play a substantial role in the setting of the foreign policy process and associated agendas or have considerable power in societal and transnational structure. This thesis, therefore, firstly examines the concerned foreign policy agenda, followed by an examination of the power and policies of other states and relevant non-state actors which sets out the multi-dimensional international structure behind Japan's Myanmar policy.

Since the '8888 Uprising', the Myanmar problem has consisted of multiple foreign policy agenda items among which other states and relevant non-state actors set different policy priorities. In general terms, Myanmar's geopolitical position at the juncture of the PRC, India, Southeast Asia and the Indian Ocean as well as its economic potential with rich human and natural resources has a potentially large impact on international political and economic relations. Other states with an interest in Myanmar therefore need to deal with Myanmar's foreign and economic policy. However, until the late 1980s, only a limited number of states had seriously taken into account Myanmar's foreign and economic policy. This was because the Ne Win regime maintained an isolationist foreign policy and interventionist economic policy which had little impact on international political and economic structure. It was the development of the Myanmar problem after the '8888 Uprising' and the SPDC's subsequent policy change that meant many other governments came to recognize Myanmar's foreign and economic policy as a significant foreign policy agenda.

Myanmar's various domestic agendas, at the same time, had various international and transnational implications. Myanmar's domestic political turmoil from 1988 to 1990 exposed to international society the Myanmar government's obvious infringements of the values of democracy and human rights, and became the trigger for Myanmar's lack of democratic legitimacy and human rights protection to be recognized as internationally important foreign policy agendas by Western governments and other actors. On the other hand, since independence, the Myanmar government had faced serious difficulties in nation-building and achieving domestic stability because of the insurgency activities of various groups. Hence, some countries, especially in Asia, emphasized the agenda of domestic insurgencies, and advocated the necessity for the Myanmar government to pursue domestic stability and development by employing an authoritarian rule within a transitional process. There were also other agenda items in Myanmar that had international and transnational implications, including narcotics

trafficking, migration and refugees, and other non-traditional security issues.

In examining international political and economic structure, the power and policies of the U.S., the EU, the PRC, ASEAN and its members, as well as the UN will be analyzed as key actors which have had a significant influence on the setting of international structure behind Japan's Myanmar policy. Other less significant actors, including India, Russia and North Korea, are also taken into account when necessary in examining international structure in certain periods. The U.S. was arguably the most important partner for post-war Japan in its conduct of foreign policy. In the post-Cold War era, however, Japan reconsidered its relationship with the U.S. in regard to its foreign policy agenda due to transformations in Japan's strategic environment, especially in East Asia, as well as shifts in U.S. policy toward East Asia. Having carried out a somewhat autonomous policy even in the Cold War era, Japan began making proactive foreign policy initiatives in East Asia after the collapse of the Cold War structure, even if these were still sporadic (Hirata, 2001). Japan consciously pursued a different, or even conflicting, approach toward Myanmar from the U.S., although there were internal differences of opinion among Japanese policy-makers on the management of the Japan-U.S. relationship with regard to Myanmar. But all things considered, U.S. power and policy was arguably the dominant structural factor in setting the international structure surrounding Japan's Myanmar policy.

Whilst the EU and Japan did not have so many vital interests in their direct relationships, some EU members had a significant influence on Southeast Asian countries as former colonial powers, donor countries and economic partners. In addition, the EU and ASEAN began to have inter-regional dialogues including the Asia-Europe Meeting (ASEM), which is the meeting between the EU and ASEAN+3 formed in March 1996. In dealing with the Myanmar problem, the EU was generally critical of the Myanmar government's lack of democratic legitimacy and its infringement of human

rights, so it employed a sanctions approach in line with the U.S., although it preferred more targeted sanctions. The Myanmar problem also became an issue of conflict between EU and Asian countries, including Japan, when it was discussed at the ASEAN Post Ministerial Conference (PMC) and when the EU refused to allow Myanmar's attendance at the ASEM.

ASEAN promoted its expansion and integration as the regional political framework overarching all Southeast Asian countries in the post-Cold War era, even if its members' leaders were internationally and domestically vulnerable in general. Japan began to recognize ASEAN's strategic significance in its foreign relations under the Cold War structure and therefore made conscious efforts to construct cooperative relationships with ASEAN and its members. Especially since Myanmar's accession, ASEAN realized the necessity of addressing the Myanmar problem as a crucial internal agenda. This made many Japanese policy-makers recognize that ASEAN and its members were important partners in dealing with the Myanmar problem. At the same time, ASEAN's development as the credible regional political framework was seen as being in Japan's vital strategic interest by many Japanese policy-makers. Despite its weakness in material power, therefore, ASEAN had a significant influence on the making of Japan's Myanmar policy.

The PRC was the most significant country in East Asia for Japan, not only in terms of risks but also opportunities. While Japanese policy-makers recognized China as a potential economic partner right after the Second World War, the Cold War confrontation in East Asia and the PRC's communist direction made Japan unable to strengthen bilateral economic ties. The PRC's domestic and international communist movements were also recognized as a serious risk for regional political stability by many Japanese policy-makers. Although the PRC's shift to a reform and opening-up policy from the 1970s enabled Japan to improve the bilateral political and economic

relationship, Japanese policy-makers began to perceive both threats and opportunities in the PRC's economic development and growing presence in East Asia, especially after the late 1990s. Although there were slightly different perceptions among them, particularly from the late 1990s, many Japanese policy-makers certainly considered the PRC's growing presence in Southeast Asia and its strengthening ties with the Myanmar government as significant factors to be taken into account in Myanmar policy-making.

The UN played an essential role in the Myanmar problem, particularly from Japan's perspective. On the one hand, in addition to specialized agencies' involvement in Myanmar's human rights, refugee and other issues, the UN Secretary-General and the special envoy to Myanmar began to play a mediation role from the late 1990s. On the other hand, the UN Security Council became a field for an international political game over Myanmar due to U.S. efforts to discuss the Myanmar problem at the Council from 2005. Myanmar's human rights situation was also frequently raised at the UN Commission on Human Rights, later succeeded by the UN Human Rights Council in 2006. Japan was generally supportive of the UN playing a mediation role and regarded it as working in a complementary way to Japan's engagement approach. However, Japan had difficulty in dealing with the international political game at the UN Security Council because of its ambivalent position within the game. In the end, while not being a state, the UN had a certain impact on other states' policies toward the Myanmar problem and the setting of international structure behind Japan's Myanmar policy.

In analyzing societal and transnational structure surrounding the Myanmar problem, the Myanmar government, the democracy camp and ethnic minority groups will be examined as key actors, particularly in relation to Myanmar's domestic agendas. From 1962 to 1988, Myanmar was governed by the Ne Win military regime, formally under the one-party rule of the Burma Socialist Programme Party (BSPP). After the military coup in the wake of the '8888 Uprising', younger military officers established



the SPDC, staying in power for more than two decades. After succeeding the original Chairman Saw Maung in April 1992, Than Shwe gradually consolidated his power within the SPDC, which had a somewhat fragmented power structure and internal differences of opinion, at least until the early 2000s. Whilst it maintained dominant material capabilities in relation to other domestic actors, the SPDC's political legitimacy was weak due to its ignoring of the result of the 1990 general election as well as its imperfect, if gradually strengthening, control over the territory because of the presence of ethnic minority groups, especially in border areas.

The democracy camp, on the other hand, emerged as a significant actor after the '8888 Uprising'. Whereas the '8888 Uprising' was a less organized movement of students and the general public, the NLD became the main focus of anti-military government protest and won a landslide victory at the 1990 general election. As the daughter of Myanmar's independence hero Aung San, Aung San Suu Kyi suddenly became recognized as the leader of Myanmar's democracy movement not only within Myanmar but also by international society. Due to SPDC oppression of the democracy camp after the '8888 Uprising', many Myanmar students and activists became refugees or foreign residents, establishing organizations and transnational networks acting for Myanmar's democratization in cooperation with supporters, especially those in Western countries. Although it was materially weak the democracy camp had democratic political legitimacy as well as foreign support, particularly from Western countries.

Since Myanmar's independence, a number of ethnic minority groups carried out insurgency activities against the government for a long period. After taking power, by using both a 'carrot and stick' approach, the SPDC put intensive effort into concluding ceasefire agreements with these groups as well as to involve them in the process to formulate a new constitution. All major ethnic minority groups bar the Karen National Union (KNU) had agreed on a ceasefire with the SPDC by the late 1990s,

though many of them remained ambivalent in their relationship with the SPDC. The activities of ethnic minority groups are thus recognized as a significant factor in Myanmar's domestic politics.

## *(2) Analyzing Domestic Factors*

After conducting an international level analysis, it is necessary to examine how a state responds to structural pressures by conducting a domestic level analysis in order to explain a state's foreign policy from a neoclassical realism perspective. In examining the structure and actors of a state's foreign policy-making, neoclassical realists focus on the state's foreign policy executive, consisting of the head of government as well as the ministers and government officials in charge of foreign policy-making (Ripsman, et al., 2009: 280-281). The foreign policy executive is distinct from other actors in several respects: holding privileged access to official and confidential information on international affairs; retaining foreign policy tools including military capability and national budgets; and, supposedly representing the national interest as the only legitimate actor in inter-governmental relationships. On the other hand, policy-makers need to deal with practical impediments in the conduct of foreign policy. These include imperfect information and cognition in perceiving international structure which can result in differences of perception among policy-makers, potential conflicts and compromises within the policy-making system, and potential difficulties in mobilizing domestic material and non-material support. For neoclassical realists, therefore, in order to comprehend a state's external behaviour it is crucial to examine the impact of these impediments on the foreign policy executive in deciding and implementing foreign policy.

This thesis employs three domestic level variables which are commonly suggested by neoclassical realists: policy-makers' perceptions, the government's

resource mobilization, and the domestic policy-making system. Policy-makers' perceptions of international structure, the first variable, matter primarily because policy-makers need to decide a state's foreign policy based on their understanding of international structure; an understanding which is formed by limited information that they can gather. Taliaferro and his co-researchers mention that "systemic incentives and threats, at least in the short run, are rarely unambiguous", and therefore "there is often not a single, optimal response to such incentives" (Taliaferro et al., 2009: 28-29). In other words, policy-makers in many cases need to deal with insufficient information about international structure and uncertainty in predicting policy outcomes. Policy-makers are, hence, required to decide foreign policy based on their perceptions of structural pressures as well as their calculations of other states' possible reactions and resulting power trends in the future. This can lead to misperceptions of international structure and miscalculations of other states' responses, resulting in inadequate responses to structural pressures. Also, it is often the case that different policy-makers focus on different dimensions of international structure and have different policy priorities in dealing with tradeoffs in the costs and benefits imposed by international structure.

Amongst neoclassical realists, Christensen points out the importance of perceptions and misperceptions of policy-makers in comprehending the issues of balance-of-power and security dilemmas in the alliance policies of European great powers in the nineteenth and twentieth century (Christensen, 1997). Other scholars explaining a state's foreign policy from a neoclassical realism perspective also employ policy-makers' perceptions or threat assessments as a variable in their research (Lobell, 2009; Wohlforth, 1994/95). Policy-makers' perceptions have also been analyzed as a significant variable by FPA scholars. Jervis argues that "it is often impossible to explain crucial decisions and policies without reference to the decision-makers' beliefs about the world and their images of others" (Jervis, 1976: 28). He thus suggests an

examination of policy-makers' perceptions by questioning how policy-maker's perceptions are derived from the information they possess (Jervis, 1976: 7). From the perspective of neoclassical realism, nonetheless, such policy-makers' perceptions function only as a prism to transform international structural conditions into actual choices of foreign policy direction rather than independently determining a state's foreign policy.

Then, who are the policy-makers to be analyzed in Japan's foreign policy-making? This thesis regards the Prime Minister and relevant cabinet members and three main ministries, namely the Ministry of Foreign Affairs (MOFA), the Ministry of Economy, Trade and Industry (METI)<sup>14</sup> and the Ministry of Finance (MOF), as the policy-makers playing a dominant role in Japan's foreign policy-making, particularly regarding Myanmar. This thesis examines their perceptions of foreign policy agendas and surrounding international structure. In principle, the Prime Minister, relevant cabinet members, and ministries hold an institutional mandate and stake in the conduct of foreign policy. Also, except for policies which need legislative or budgetary procedures, the government has certain institutional autonomy in relation to the Diet in implementing its foreign policy, although it is necessary to report back to Diet committees. In actual terms, though they are generally less autonomous vis-à-vis the ruling party and bureaucracy and usually less proactive in foreign policy-making because they have relatively little expertise or interest, Japan's Prime Ministers and cabinet members sometimes undertake significant initiatives in certain foreign policy areas. The bureaucracy plays an essential practical role in Japan's foreign policy-making because other domestic actors generally pay less attention to international affairs due to a lack of information and special knowledge or interest.

The Prime Minister and relevant cabinet members institutionally hold the

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<sup>14</sup> METI was renamed the Ministry of International Trade and Industry (MITI) in 2001. This thesis uses METI when referring to both MITI and METI in order to avoid terminological confusion.

primary mandate for the conduct of foreign policy and, in the post-war era, actually utilized their political authority to undertake initiatives in a few foreign policy issues of their interest. Yet, they have shown a general tendency to follow the bureaucrats' bottom-up policy coordination rather than lead foreign policy-making, mainly due to insufficient numbers of specialist staff and vulnerability to LDP factional politics as well as the bureaucrats' capability of policy coordination and strong loyalty to their ministries. However, as a result of political and administrative reforms since the mid-1980s, including the strengthening of the *Kantei's* policy-making function, the Prime Minister and relevant cabinet members have had more chances to undertake initiatives in foreign policy-making in a top-down manner (Hook, et al., 2005: 53-56).

MOFA is primarily in charge of managing day-to-day diplomatic relationships with other governments. In spite of the expanding activities of the Japanese government overseas, however, MOFA retains relatively limited influence within the government due to insufficient staff and budgets as well as its weak position within domestic politics. Also, there are certain structuralized conflicts of opinion within MOFA, typically observed between the most powerful bureau in MOFA, the North American Affairs Bureau (NAAB), which generally prioritizes the alliance with the U.S., and the Asian and Oceanian Affairs Bureau (AOAB) (known as the Asian Affairs Bureau (AAB) until 2001), which is the second most powerful bureau and has a tendency to promote relationships with East Asia (Hook, et al., 2005: 47-49). In Japan's Myanmar policy, MOFA was in a position to coordinate the policy-making process throughout the period, even if on some occasions it was necessary to accommodate the demands of other domestic actors with a stake and interest in Myanmar. The AOAB and the Japanese Embassy in Myanmar are primarily in charge of the bilateral relationship whereas executive officials were deeply involved in Myanmar policy-making when the Myanmar problem became politicized internationally and domestically.

METI is the agency for the promotion and facilitation of economic and business activities. It tends toward a proactive foreign economic policy, including ODA policy, in extending cross-border trade and business interests as well as securing energy and natural resource supplies. METI's domestic power rests largely on its close relationship with the business sector, even if the diversification of domestic business interests has transformed the style of such government-business cooperation to some extent. Whilst recognizing the significance of the U.S. market and the U.S.-led international economic system, METI has a tendency to pursue its pragmatic interests with less concern about U.S. intentions (Hook, et al., 2005: 51-52). METI is interested in Myanmar policy primarily from the viewpoints of Myanmar's economic potential and natural resources, Japanese companies' business opportunities, Japan's ODA policy, and its promotion of economic reforms and liberalization in Southeast Asia.

MOF is responsible for budgetary and financial policy, retaining a stronger position in relation to other ministries because of its power concerning budgetary allocation. MOF's traditional primary policy concerns have been domestic fiscal discipline and macroeconomic stability, and hence it holds a generally defensive stance toward ODA policy from the perspective of Japan's budgetary constraints and recipient countries' fiscal discipline. Yet, in accordance with the growing activities of the Japanese financial sector abroad and the liberalization of Japan's economic and financial system, MOF, especially the International Bureau, increasingly became aware of the necessity to carry out a proactive international financial and monetary policy including ODA provision. By taking advantage of its strong position within the government, MOF tends to push forward its foreign financial and monetary policies by eliminating other actors' interventions. MOF, nonetheless, remained generally defensive in Myanmar policy-making because of Myanmar's accumulated debt problem since the late 1980s. This became a burden for the credibility of Japan's ODA policy, especially within the context of developed countries' coordination of debt cancellation at the G7

and other international forums.

The second domestic level variable that this thesis employs is domestic resource mobilization, which is closely linked with the concept of state power. Despite neo-realism's assumption regarding state power as national power, neoclassical realists point out that in practice a state's policy-makers cannot necessarily mobilize enough domestic policy resources in conducting foreign policy. Zakaria notes the importance of state scope in analyzing a state's behaviours of expansion and non-expansion; that is a state's ability to extract domestic capabilities and the strength of its decision-making power (Zakaria, 1998: 38-39). Similarly, in examining a state's inefficient balancing behaviours, Schweller employs government or regime vulnerability and social cohesion as intervening variables which restrict a state's capability to carry out an optimal balancing policy (Schweller, 2004: 168-181). Dueck claims that, despite the U.S. President's ability to decide on military interventions based on national interests, domestic political constraints, especially the President's relations with Congress and public opinion, have shaped the form and timing of U.S. military interventions (Dueck, 2009: 147-148). In sum, policy-makers in many cases need to mobilize domestic material and non-material support for the conduct of foreign policy by utilizing such measures as public statements, formal and informal coordination with domestic actors as well as promotion and regulation measures; all of which can result in modifications to the original policy plan.

This thesis, thus, examines the Japanese government's relationships with domestic actors in the conduct of foreign policy in order to comprehend from whom and how the government could retain material and non-material support among domestic actors. In doing so, the thesis focuses on domestic actors' behaviours and interests as well as the way that policy-makers interact and compromise with them. This is because these factors can affect the form and timing of a state's conduct of foreign policy. To

understand the fundamental conditions underlying the government's necessity to mobilize domestic resources, it is also necessary to pay attention to the government's retaining capabilities and basic flexibility in utilizing these resources; factors which can affect to what degree policy-makers are structurally vulnerable to domestic actors. This leads to the question as to which domestic actors in Japan's foreign policy-making should be analyzed. The major domestic actors potentially influencing Japan's Myanmar policy examined in this thesis are: the Diet and politicians, the business sector, NGOs, as well as the media and public opinion.

The Diet has three formal functions in foreign policy-making: to pass domestic laws and ratify treaties; to approve the government budget; and, to receive government reports on foreign policy. Thus, if certain foreign policy requires legislation or ratification or is deeply related to budgetary allocation, the Diet's potential influence on foreign policy-making becomes greater. The Japanese government, however, did not pass any legislation regarding Myanmar policy, although it was necessary to deal with the Diet in relation to the budget for ODA disbursement. Instead, the government's relation with the Diet in regard to Myanmar policy mostly concerned reports and discussions at Diet committees.

Politicians also have various informal influences on foreign policy-making. It is necessary to examine such influences at three levels: at the political party level; through Diet member leagues (*giin renmei*); and, at the individual politician level. At the political party level, as the LDP has been the dominant ruling party under the 1955 system, the Social Democratic Party of Japan (SDPJ), the largest opposition party during that period, could never take over the ruling position although it continuously attracted some public support. Until the 1980s, in terms of ODA policy, both the LDP and the SDPJ were basically supportive of increasing foreign assistance, even if they had different perspectives on its use or ultimate goal (Orr, 1990: 21-22). The LDP



discussed and investigated foreign aid policy in its Policy Research Council, in most cases approving the government's policy except in the case of scandals (Orr, 1990: 22).

The collapse of the 1955 system in the early 1990s, however, became the beginning of a complex process of political party realignment in Japan. The most significant change was that the LDP was no longer the dominant ruling party. After forming in 1996 and then reconstituting itself in 1998 by integrating smaller opposition parties, the Democratic Party of Japan (DPJ) became the largest opposition party, and as a result of the 2007 election the largest party in the House of Councillors. As of the end of 2008, the end of the period of this thesis's empirical study, the LDP and New *Komeito* (New Clean Government Party) had formed a coalition government. The DPJ, the Social Democratic Party (SDP), the Japanese Communist Party (JCP), the People's New Party (PNP), and the New Party Nippon (NPN) were the major opposition parties. In 1998, Myanmar policy became an issue of party politics under the LDP-SDP-New Party *Sakigake* (NPS) coalition government when the LDP initiated a decision to provide yen loans for the Yangon airport project while the SDP and the NPS resisted it. The SDP was also highly critical of the government's engagement policy whilst some DPJ members continuously acted to solve the Myanmar problem from a somewhat critical view of government policy. Other parties did not necessarily have a clear stance regarding the Myanmar problem.

At the same time, politicians formed Diet member leagues for the purpose of promoting specific policy objectives or bilateral political exchanges. In the latter case, they are usually called Diet members' friendship leagues (*yūkō giin renmei*). Many of these leagues are bipartisan groups that often attempt to increase economic assistance to the subject country yet in many cases they have little substantial influence (Orr, 1990: 23). Although it is exceptional to have more than one league for a particular bilateral relationship, there emerged four Diet members' leagues concerned with the

Japan-Myanmar relationship: the Japan-Myanmar Parliamentarians' Friendship League (JMPFL); the Japan-Myanmar Parliamentarians' Exchange Promotion League (JMPEPL); the Parliamentarians' League to Support the Myanmar Government (PLSMG); and, the Diet Members' League in Support of Democracy in Myanmar (DMLSMD). The three former leagues were basically supportive of the government's engagement policy while the last one was generally critical of government policy in cooperation with the Japanese Trade Union Confederation (JTUC, or idiomatically called *Rengo*) and other domestic pro-democracy organizations.

At the individual politician level, those politicians who have a special knowledge and interest in a specific policy area are usually called '*zoku giin*' or policy tribe. In terms of foreign aid policy, '*enjo zoku*' (foreign aid policy tribe) continuously attempted to promote economic assistance provision and thereby to reflect their special interests in foreign aid policy-making. In most cases, the role of '*zoku giin*' is a coordination of interests or political rent-seeking at the micro level rather than the formulation of foreign policy direction at the macro level (Orr, 1990: 63). In the Japan-Myanmar relationship, there were not only such rent-seekers in the decision-making of ODA disbursement but there were also politicians who had a personal attachment to Myanmar or personal connections with Myanmar's political leaders stemming from the historical bilateral relationship. In many cases they belonged to Diet member leagues and acted both collectively and individually. At the same time, there also emerged some pro-democracy politicians acting from a critical viewpoint against the government's engagement policy in accordance with the politicization of the Myanmar problem.

The business sector retains a significant influence on the government through various channels; its personal and financial connections with politicians, its various ties with bureaucrats including business leaders' participation in governmental committees

or study groups, and the impact of transnational business activities on inter-governmental relationships. The opinions of the business community, or '*zaikai*', are usually represented by three major economic organizations: the Japan Business Federation (JBF, or idiomatically called *Keidanren*);<sup>15</sup> the Japan Committee for Economic Development (*Dōyūkai*); and, the Japan Chamber of Commerce and Industry (JCCI, or *Shōkō Kaigi-sho*). *Keidanren* has the strongest voice with a membership of 1,632 in October 2008, comprised of 1,315 companies, 130 industrial associations and 47 regional employers' associations. *Keidanren* has some interests in Myanmar especially because of a Myanmar boom in the business sector during the 1990s as a result of which it launched the Myanmar study group which later became the Japan-Myanmar Economic Committee. This issued a report in the mid-1990s with policy recommendations to both the Japanese government and the SPDC.

In addition to this, many individual companies, including construction, manufacturing, trading and consultancy companies have for a long time been interested in the Myanmar economy, participating in ODA-related and other businesses or seeking business opportunities in Myanmar. Many of those companies which had been operating in Myanmar since the pre-1988 period were members of the Japan-Burma Association (JBA), the oldest Myanmar lobby organization founded in 1933 and later called the Japan-Myanmar Association (JMA). When the JBA sent a petition urging the recognition of the new military government and the resumption of ODA provision to MOFA on 25 January 1989, the names of 12 major companies were written on the petition (Mainichi Shimbun Shakaibu ODA Shuzaihan, 1990: 23-25; Asahi Shimbun, 16 March 1989).<sup>16</sup>

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<sup>15</sup> The current *Keidanren* was formed as a result of the integration of the Japan Federation of Economic Organizations (*Keidanren*) and the Japan Federation of Employers' Associations (*Nikkeiren*).

<sup>16</sup> The 12 companies were Daimaru, Inc., Kajima Corp., Kanematsu Corp., Kinsho-Mataichi Corp., Mitsui and Co., Ltd., Mitsubishi Corp., Mitsubishi Oil Co., Ltd., Mitsubishi Heavy Industries, Ltd., Nippon Koei Co., Ltd., Nissho Iwai Corp., Sumitomo Corp., and Tomen Corp.

A number of Japanese companies also began to seek business opportunities in Myanmar in response to the SPDC's shift to an economic liberalization policy in the early 1990s. When the SPDC released Aung San Suu Kyi in 1995, for instance, executives of Mitsubishi Corp., Itochu Corp., Marubeni Corp., Mitsui and Co., Ltd., and Sumitomo Corp. visited Myanmar and signed a memorandum of understanding with the SPDC (Pongyelar, 2007: 13; Saito, T., 1995: 55). A wide range of business opportunities were actually sought by Japanese companies during this period: Daiwa Securities Co., Ltd. assisted the setting-up of the first securities exchange in Myanmar; All Nippon Airways Co., Ltd. opened direct flights between Osaka and Yangon; and, Mitsui and Co., Ltd., and Nippon Oil Corp. participated in gas projects in Myanmar (Seekins, 2007: 116-119). Myanmar's economic downturn and the SPDC's return to an interventionist economic policy, however, made many Japanese companies retreat from business opportunities in Myanmar. These moves within the business sector had various influences on the Japanese government in the form of support, pressure and policy needs.

The activities of Japanese NGOs have increased and broadened especially since the 1990s. These activities were to some extent enhanced by the Law to Promote Specified Nonprofit Activities in 1998.<sup>17</sup> Japanese NGOs acting in the Japan-Myanmar relationship can be categorized into three: bilateral friendship NGOs; pro-democracy advocacy NGOs; and, humanitarian assistance NGOs. Within the Japan-Myanmar relationship, similar to other traditional bilateral relationships, there were some traditional bilateral friendship NGOs aiming at promoting bilateral economic and social exchanges. In many cases these NGOs had deep ties with Japanese private companies, politicians, and bureaucrats and conducted lobbying activities for the government and powerful politicians. The JMA is the oldest Myanmar lobby organization in Japan, being openly business-oriented with many corporate members since its foundation in

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<sup>17</sup> This law enabled NGOs to conduct more stable operations by ensuring their legal status.

1933 and headed by politicians or former bureaucrats. Despite its lobbying activities, including the petition to the government on 25 January 1989 mentioned above, the JMA's corporate members decreased in number from 36 in late 1988 to around 20 in July 2007, presumably because short-term business opportunities in Myanmar decreased from the late 1990s (Pongyelar, 2007: 16-17).

Another example of a Myanmar lobby group is the Japan-Burma Cultural Association, which later became the Japan-Myanmar Cultural Association. This was established in 1974 by around 2,000 war veterans that had been sent to Myanmar during the Second World War. After expanding its members to include war veteran descendants, business people, intellectuals and members of the general public, it became known as the Japan-Myanmar Friendship Association in 1997. This was the result of an initiative by Tsukamoto Koichi, a war veteran and the owner of Wacoal Corp., to broaden the group's activities to promote a bilateral economic and social relationship and to lobby the government (Pongyelar, 2007: 17). Four other organizations were also established after the late 1990s, namely the Myanmar Economic and Management Institute (MEMI, *Myanmā Sōgō Kenkyūsho*), the Asian Maternal Children Welfare Association (AMCWA), the Consultant's for Myanmar (TCM), and the Japan-Myanmar Tourism Promotion Committee formed the Meeting of Myanmar Related Group for the purpose of improving information exchange (Pongyelar, 2007: 17-18). These bilateral friendship NGOs were generally supportive of the government's engagement policy, in some cases closely cooperating with the government and positively acting for the government's ODA provision to Myanmar.

Pro-democracy advocacy NGOs, which were critical of the SPDC and Japan's engagement policy, also increased in number from the 1990s, conducting information provision and lobbying the government and politicians. Many such NGOs were originally small groups of Myanmar residents and refugees in Japan, but some of them

gradually strengthened cooperation with each other and established the Burma Office Japan (BOJ) in 2000. The People's Forum on Burma (PFB), which was established by both Myanmar residents and their supporters in Japan in 1996, became a platform for the activities of pro-democracy advocacy NGOs in Japan (Nemoto, 2007: 106-107; Dalpino, 2007: 225). *Rengo*, which has deep ties with many politicians including DPJ and SDP members, also took a pro-democracy position and provided support for these NGOs when, for example, making petitions for DMLSDM members (Maung and Shigeta, 2004: 134-137).

Similarly, there emerged a growing number of NGOs implementing humanitarian assistance projects in Myanmar. These groups included Bridge Asia Japan (BAJ), the Organization for Industrial, Spiritual, and Cultural Advancement (OISCA) International, and the Japan International Volunteer Center (JVC). Dalpino notes that the Japanese government, similar to Western governments, began to utilize these humanitarian assistance NGOs as “quasi-nongovernmental organizations” for implementing ODA projects which could then circumvent international criticism (Dalpino, 2007: 225-226). The *Sasakawa* Foundation's activities were distinctive among Japanese NGOs in terms of not only carrying out various assistance programs in Myanmar, but also occasionally attempting to promote Myanmar's domestic political reconciliation as well as trying to improve the Japan-Myanmar relationship by, for instance, setting up trips to Myanmar for former Prime Ministers.

The media and public opinion have a less direct influence on the government's foreign policy-making in general, yet they still have some significance in shaping domestic debates on foreign policy direction and sometimes affecting overall support for the administration and politicians. Amongst the Japanese media, five major daily newspapers, namely the *Yomiuri Shimbun*, *Asahi Shimbun*, *Mainichi Shimbun*, *Nihon Keizai Shimbun* (*Nikkei*), and *Sankei Shimbun*, have a far greater circulation than that in

other developed states, even if that circulation is decreasing. In general terms, these daily newspapers are regarded as having certain political inclinations: the *Asahi* and *Mainichi* tend to be more liberal whereas the *Yomiuri*, *Nikkei* and *Sankei* are generally pro-conservative. Especially since the mid-1990s, there emerged certain differences of opinion between the newspapers regarding Japan's Myanmar policy and the debate on Japan's post-Cold War foreign policy direction and Asian policy. While the *Asahi* and *Mainichi* became highly critical of the government's ODA disbursement and engagement policy toward Myanmar because of their ineffectiveness and inappropriateness since the late 1980s, the *Yomiuri* and *Sankei* were generally encouraging of the government's policy from the perspective of Japan's strategic interest in supporting the SPDC. In the early 1990s, the *Asahi* and *Mainichi* often portrayed Aung San Suu Kyi as Myanmar's tragic heroine fighting against the evil military government, even more so than Western newspapers such as the New York Times (Seekins, 2007: 110).

Japan's public opinion paid only sporadic attention to the Myanmar problem in response to occasional news reports on incidents in Myanmar. Even so, the Japanese general public tended to be generally critical of the government's engagement policy toward the SPDC from the 1990s. This was partly because Japanese TV networks, including NHK (*Nippon Hōsō Kyōkai*, or Japan Broadcasting Corporation), Japan's sole public broadcaster, and TBS (Tokyo Broadcasting System) made programs depicting Aung San Suu Kyi as Myanmar's pro-democracy leader against the military government (Seekins, 2007: 109-110). The image of Myanmar as a country under a military government's oppressive rule was confirmed and strengthened by occasional news reports including ones covering the mass movement in 2007 which resulted in the shooting death of Japanese journalist Nagai Kenji. Such public opinion gradually increased its indirect but unignorable pressure on the government and other actors supporting a friendly engagement policy.

The third and final domestic level variable that this thesis employs is the domestic policy-making system, which can affect the prudence of a state's conduct of foreign policy. Sterling-Folker suggests that a state's foreign policy can be influenced by internal political competition among different domestic groups which pursue their own policy objectives based on different perceptions of international structure and aim at retaining control of the decision-making process (Sterling-Folker, 2009). Similarly, Schweller points out that a low degree of elite consensus and cohesion may prevent a state from carrying out rational balancing behaviours (Schweller, 2004). In other words, given that neoclassical realism admits the possibility that policy-makers will have different perceptions of international structure and different policy objectives concerning a foreign policy agenda, it is necessary to examine the policy-making system in which a state's foreign policy is decided as a result of policy-makers' interactions. From an analytical perspective, it is necessary to investigate the mode of interactions among domestic policy-makers holding a stake and interest in the foreign policy agenda. In doing so, it is important to pay attention to the policy-making system in which a specific foreign policy is decided and to the distribution of power among domestic policy-makers. It is also necessary to examine who initiates policy-making, sets the foreign policy agenda, chooses the policy-making procedure, proposes policy options and ultimately decides foreign policy within the policy-making process.

Japan's policy-making system under the 1955 system can be characterized as an elitist system based on close and exclusive relationships among the LDP, the bureaucracy and the business sector; although scholars of Japan's domestic politics do not necessarily agree on the distribution and status of policy-making power among these three elements. Johnson's research on METI points out the unique and crucial role of bureaucrats in planning and implementing economic and industrial policy in the post-war era (Johnson, 1982). This research identifies key features of Japan's



policy-making system as the intensive coordination between the government and the business sector as well as the bureaucrats' primacy over politicians in policy-making. In contrast, Muramatsu and Krauss, although admitting the important role of bureaucrats, claim that the post-war political consensus on a conservative policy line was the basic policy direction which enabled bureaucrats to implement a coherent economic and industrial policy in the 1960s (Muramatsu and Krauss, 1987). More significantly, they demonstrate the emergence of a more varied policy-making system, which they call 'patterned pluralism', as a result of the diversification of domestic interests and other factors in the 1980s. Under this system, policy-making conflicts are "pluralist in that many diverse actors whose alliances may shift participate, but patterned in that the shifting coalitions occur within the framework of one-party dominance and of a bureaucracy that procedurally structures the types of possible alliances and policymaking patterns" (Muramatsu and Krauss, 1987: 542-543).

This pluralisation of the policy-making system in the 1980s allowed the business sector to behave more autonomously, and undercut the hegemonic power of the bureaucracy. As a result the LDP and its members, especially the emerging policy tribes, increased their influence within policy-making (Pempel, 1987). Iio describes Japan's governance model in this period as '*kanryō naikaku sei*' (bureaucracy cabinet system) whereby each minister simply represented the position of their own ministry and the LDP consciously distinguished the responsibility of the Prime Minister and the cabinet from that of the LDP through the notion of 'the separation of powers' (Iio, 2007). Despite adopting a parliamentary cabinet system the Prime Minister and the cabinet were highly vulnerable to LDP mainstream factions and, therefore, the bureaucracy, who usually undertook policy-making initiatives, needed to accommodate political demands from these LDP faction leaders and policy tribes in return for retaining their political support.

Within such a system, until the 1980s, Japan's policy-making on foreign aid was mostly carried out within the bureaucracy, especially among four ministries directly in charge of ODA policy-making. This was usually called the 'four-ministry system' (*yon shōchō taisei*), consisting of MOF, METI, MOFA and the Economic Planning Agency (EPA). MOF basically regarded foreign aid as a budget issue concerning national budget constraints and the cost-effectiveness of aid programs including the fiscal discipline of recipient countries. METI had a tendency to prioritise the promotion of domestic industry development, the creation of Japan's foreign markets, and the securing of a natural resource supply from abroad. MOFA was more sensitive to international pressures and likely to utilize ODA for diplomatic leverage against developing as well as developed countries. The EPA's position was often ambiguous and less influential than the other three ministries, but generally supportive of increasing and improving ODA projects. As a whole, Japan's aid policy was shaped as a result of intensive bargaining, which was usually opaque from outside, among these ministries motivated by bureaucratic interests (Orr, 1990: 3).

Whereas Japan's foreign policy-making was still relatively dependent on the bureaucracy and not many Diet members showed an interest in foreign policy, the expansion of the ODA budget from the late 1970s led to the creation of '*enjo zoku*' (foreign aid policy tribe), who sought out rent-seeking opportunities within foreign aid policy-making connected to specific aid programs or recipient countries (Orr, 1990). In this regard, while not recognized as policy-makers, individual Diet members had a potential influence on foreign policy-making at some specific times, even if they did not have the power to shape the overall foreign policy direction. From the 1990s, Japan's policy-making system experienced further transformations through a mixed process. On the one hand, the LDP factions' power and bureaucrats' coordination remained, or were even strengthened, in foreign policy-making due to the frequent replacement of the Prime Minister and cabinet members after the collapse of the 1955 system. This meant

that bureaucrats largely initiated foreign policy-making and coordinated with the ruling party members, including policy tribes, for the purpose of the smooth implementation of policy. On the other hand, there were certain political movements to integrate foreign policy-making power into the role of the Prime Minister and the cabinet and to weaken the relationship between bureaucrats and policy tribes. Amongst various political and administrative reforms carried out since the mid-1980s, the *Kantei's* strengthened power and capacity is highlighted as an institutional change that enabled proactive and decisive foreign policy-making to take place in some cases (Shinoda, 2006).

Japan's Myanmar policy-making was, at least to some extent, influenced by these transitions in Japan's policy-making system. After increasing ODA provision to Myanmar in the 1970s in accordance with the expansion of the overall ODA budget, which was originally decided by senior political leaders, by the 1980s the Japanese government began ODA policy-making in a business-as-usual manner, which Seekins calls a '*kokunaika*' (domesticization) process (Seekins, 1992:247). Japan's drastic decrease of ODA to Myanmar in response to the '8888 Uprising' transformed the interests and behaviour of domestic actors. In addition, from the late 1990s, some senior political leaders including Hashimoto, Obuchi and Koizumi began to participate in Myanmar policy-making more proactively. It is, thus, necessary to examine the way that these factors affected Japan's Myanmar policy-making and ultimately the Japanese government's conduct of Myanmar policy.

## 5. *Conclusion*

This chapter has reviewed the recent debates on Japan's foreign policy studies, highlighting the influence of both international and domestic factors on Japan's foreign policy direction, especially in the Cold War era. It revealed the necessity for a

comprehensive explanation of Japan's post-Cold War foreign policy transitions to integrate international and domestic level analyses. Accordingly, this chapter proposes neoclassical realism as the most appropriate analytical framework for this thesis to shed light on the linkage between international and domestic factors. Whereas neoclassical realism basically maintains the assumption of neo-realism in recognizing the primary significance of international structural pressures, it also highlights the practical impediments which a state's policy-makers have to deal with. This chapter, then, discusses the operationalization of neoclassical realism, pointing out the necessity to examine multiple foreign policy agenda concerns and multi-dimensional international structure. It also proposes three intervening variables: policy-makers' perceptions; the government's resource mobilization; and, the domestic policy-making system. Based on these foundations, the empirical study of Japan's Myanmar policy will be conducted in the following four chapters, which cover the four periods respectively: pre-1988; 1988-1996; 1997-2004; and, 2005-2008.

(Table 1: Neoclassical realism and the four worlds)

	Clear information on threats	Unclear information on threats
Clear information on policy responses	<p><i>World 1</i></p> <p>Consistent with realism.</p> <p>Domestic actors normally affect only the style or timing of policy.</p> <p>Neoclassical realism is useful only to explain dysfunctional behaviour.</p>	<p><i>World 4</i></p> <p>Inconsistent with realism.</p> <p>Domestic actors can help determine national interests, but policy responses are largely determined by international institutions.</p> <p>Neoclassical realism is not useful for explaining the behaviour of states.</p>
Unclear information on policy responses	<p><i>World 2</i></p> <p>Consistent with realism.</p> <p>Domestic actors can affect not only the style or timing of policy, but also the nature of policy responses to international challenges.</p> <p>Neoclassical realism is useful to explain foreign policy choices of states.</p>	<p><i>World 3</i></p> <p>Inconsistent with realism.</p> <p>Domestic actors help determine national interests and policy responses to them.</p> <p><i>Innenpolitik</i> theories are more useful than neoclassical realism in explaining the behaviour of states.</p>

(Ripsman, et al., 2009: 283)

(Table 2: Roles of each actor in Japan's foreign policy-making process)

The Cabinet and Bureaucracy	<i>Kantei</i>	In some cases conducting Prime Ministerial top-down style policy-making
	MOFA	Managing day-to-day diplomatic relationships Generally coordinating foreign policy-making
	METI	Planning international trade policy / Promoting and facilitating economic and business activities
	MOF	Planning international financial and monetary policy / Considering budgetary constraints as well as macroeconomic stability
The Diet and Politicians	Political Parties	The LDP and ruling coalition: Influencing formally and informally the Prime Minister and the cabinet The DPJ and opposition: Monitoring the government's policy through Diet debates etc.
	Diet Members' Leagues	Lobbying the government / Sending missions abroad / Cooperating with other state's politicians etc.
	Individual Politicians	Taking advantage of ties with bureaucrats, the business sector and other state's leaders
The Business Sector	Business Organizations	Lobbying the government or politicians / Making surveys and policy recommendations / Sending missions abroad etc.
	Individual Companies	Solely or collectively lobbying the government or politicians etc.
NGOs	Lobbying	Lobbying the government or politicians, in many cases by utilizing ties with politicians and former-bureaucrats etc. / In some cases facilitating informal diplomacy
	Information Transmission and Advocacy	Providing information on international affairs / Appealing to the media or public opinion
	Project Implementation	Implementing humanitarian assistance etc. / Occasionally coordinating projects with the government
Media and Public Opinion		Some influence on the power of the Prime Minister and the cabinet as well as the perceptions of other actors

## **Chapter 2**

### **The Pre-1988 Period: Default Friendship Engagement**

#### *1. Overview*

Having examined the debates on Japan's foreign policy, particularly in the post-Cold War era, as well as introduced the framework of neoclassical realism in the previous chapter in order to set up the foundation of the empirical study of Japan's Myanmar policy, this thesis begins the actual case study from this chapter. While the main focus of this thesis's empirical study is the period after 1988, this chapter demonstrates Japan's default friendship engagement toward Myanmar in the pre-1988 period so as to review the context of Japan's Myanmar policy in the post-Cold War era. At the same time, this chapter provides an alternative perspective for Japan's pre-1988 Myanmar policy, which has traditionally been regarded as a product of 'special relationship' or 'special interests', or assumed as a result of a 'mercantile realism' direction.

The pre-1988 period was when the Japanese government maintained a close relationship with Myanmar's military regime called the Revolutionary Council, which was established in 1962; and particularly with General Ne Win who was a member of the 'Thirty Comrades'. The historical relationship between Japan and Myanmar has its roots in Japan's active engagement in the process of Myanmar's independence movement against the British colonial rule in the pre-war era. This resulted in the construction of historical personal ties between political and business elites in both countries. Having achieved independence after the Second World War, however, Myanmar was trapped in the difficulties of postcolonial nation-building and political and economic development. Myanmar's location at the frontline of the Cold War

confrontation in Southeast Asia made it a country of some significance in terms of the international strategies of the major powers at the beginning of the post-war era; but Ne Win's isolationist foreign policy and interventionist economic policy decreased its political presence in the international arena, especially from the 1960s onwards. The agendas of domestic economic development and political stability became more significant policy issues for the Myanmar government. At the economic level, the Ne Win regime's failure in economic management made the Myanmar economy so stagnated that Ne Win could not help but accept a status as the 'Least among the Less Developed Countries' (LLDC) at the UN in 1987. At the same time, at the domestic level, Myanmar was socially unstable because of its unsuccessful nation-building policies and the continuous insurgency activities of ethnic minorities and other groups.

Foreign governments generally paid little attention to Myanmar, especially after Ne Win took power because of its isolationist foreign policy and Myanmar's decreasing international strategic significance. The U.S. became increasingly indifferent to Myanmar due to the receding Cold War confrontation in East Asia as well as Ne Win's isolationist foreign policy and interventionist economic policy under the slogan of the 'Burmese Way to Socialism'. On the other hand, the PRC gradually improved its relationship with the Ne Win regime as part of its 'good-neighbour' policy, in parallel with a reduction in its historical support for the White Flag Communist Party (WFCP) which had been committed to insurgency activities against the Myanmar government since the late 1970s. In international economic relations, the Ne Win regime had also been largely isolated because of its interventionist economic policy during the pre-1988 period although it accepted foreign aid in the late 1970s, especially from Japan and West Germany, which were countries that Ne Win regarded as politically less problematic than others. In terms of societal and transnational structures, the Myanmar military government was highly vulnerable to domestic insurgency activities despite its authoritarian rule, and was continuously aware of the risk of losing national unity and



its control over domestic society.

In the early part of the post-war era, the Japanese government concentrated on pursuing core policy objectives, including the recovery of normal diplomatic relationships with Asian countries and economic reconstruction. In doing so it recognized its decrease in power and vulnerable position in international relations. At the same time, the Japanese government retained its original perception of international structure in East Asia in the post-war era, acknowledging that many Southeast Asian countries were in the process of postcolonial nation-building and that Japan should support and encourage those countries' efforts for domestic political and economic development, which in turn would contribute to preserve regional political stability. In the process to become the only developed country in East Asia, the Japanese government attempted to pragmatically balance this perception with the various international structural pressures that the Japanese government had faced since the 1960s. The Japanese government found that it was increasingly necessary to deal with two major international structural factors: the U.S. and other Western governments' pressure to contribute to their Cold War strategy in East Asia; and regional development issues in relationships with Southeast Asian countries, which were often linked with the North-South problem and Japan's own historical issues.

In deciding to renegotiate war reparations in the early 1960s, the Japanese government recognized the necessity to respond to the Ne Win regime's demands, at least partly in order to maintain regional political stability as well as to contribute to Myanmar's political and economic development. Japan's expansion of economic assistance to Myanmar from the late 1970s in response to the Ne Win regime's call for international assistance in the mid-1970s appeared to coincide with Japan's policy shift toward Southeast Asia. After concluding the war reparations agreement, the Japanese government found it necessary to support the Ne Win regime's efforts to achieve

domestic stability and development in order to deal with regional development issues in East Asia and prevent Myanmar from joining the communist bloc. The Japanese government responded with the Fukuda Doctrine and subsequent expansion of economic assistance, which were regarded by many Japanese policy-makers as Japan's contribution to deal with the two major international structural factors.

The Japanese government's policy resources had expanded to a large extent in accordance with Japan's rapid economic growth since the 1950s. This made the Japanese government more capable of pursuing a proactive foreign policy based on its own perceptions and allocation of increasing policy resources rather than concentrating on minimal policy objectives. Until the early 1970s, both Japanese policy-making actors and domestic actors were cautious about increasing the ODA budget; but the quantitative expansion of ODA after Prime Minister Fukuda's 1977 announcement to double Japan's foreign aid began to gain general support from a wide range of domestic actors, even though its impact and efficacy were not adequately assessed and evaluated. Specifically in the case of Japan's economic assistance to Myanmar, some mainstream politicians and Japanese companies provided continuous support for war reparations and ODA projects without any domestic actors raising serious questions about it.

Japan's critical Myanmar policy-making during the Cold War era; namely the decisions regarding war reparations in 1954, the war reparations renegotiation in 1962, and the ODA expansion in the late 1970s, seemed to be carried out by, or at least based on, the decisions of senior political leaders. In accordance with the expansion of the foreign aid budget, however, Japan's ODA policy-making system became a structuralized organizational process managed by administrative coordination. This presumably involved domestic actors' rent-seeking activities from the late 1970s. During this period, Japan's economic assistance to Myanmar was not effectively assessed or evaluated despite its poor performance in terms of its contribution to

Myanmar's economic growth.

## 2. *The Japan-Myanmar Relationship before the Cold War Era*

Before analyzing Japan's Myanmar policy in the pre-1988 period, this section briefly overviews the pre-war history of Japan and Myanmar which formed the foundation for the post-war bilateral relationship. Myanmar had been under British colonial rule since the defeat of the Konbaung dynasty, the last monarchy in lowland Myanmar, during the third war against the British Indian army in 1886. The UK had employed a 'divide and rule' political system and a '*laissez faire*' economic policy in implementing its colonial rule over Myanmar. By introducing a 'divide and rule' political system, the UK substantially transformed the traditional system in central and southern Myanmar, which was regarded not only as a supply base for food and natural resources but also as a destination for Indian labour and capital. At the same time it established a more indirect form of rule in the 'Frontier Areas' based on more traditional social systems (Taylor, 2007: 74-75). This created a political division between the ethnic majority, which the British colonial authority called 'Burma Proper', who mainly lived in lowland Myanmar, and other ethnic minorities including the Shans, Karens, Karenni, Kachins, Chins, Nagas and Wa, who mostly lived in the hill areas along the country's border, or the 'Frontier Areas'. The UK encouraged ethnic minorities to join the colonial army and police mainly due to its distrust of Burma Proper, resulting in deepening social cleavages alongside ethnic differences.

Through the '*laissez faire*' economic policy, on the other hand, the British colonial authority set up a business-friendly legal system with limited public spending for infrastructure development. This caused a large number of foreigners, mostly Hindu and Muslim Indians and some Chinese and Europeans, to seek economic benefits in

Myanmar. More than 50 percent of the residents of Yangon were from India, and they made up the majority of office workers in big companies as well as civil servants.<sup>18</sup> Smaller numbers of Chinese formed a significant part of the business community in Myanmar as well. Besides, the colonial authority's liberal economic policy required farmers to develop their farmland by borrowing money from Indian Chettiars and other moneylenders. By the early twentieth century, because of the low prices of agricultural products, which were frequently artificially created, many farmers forfeited their farmland which they had used as collateral and became peasants or lower class labourers. In fact by 1937, more than a quarter of lowland Myanmar's fertile lands consisted of large Chettiar estates (Seekins, 2007: 8).<sup>19</sup>

It was in the early twentieth century that Myanmar's independence movement against the British colonial rule surged, particularly among Burma Proper in central Myanmar. By the late 1930s, two influential political groups emerged: the Rangoon University Students' Union (RUSU) led by Aung San and U Nu, and the Thakin Party, or Dobama Asiayone ('We Burmans Association'), which was initiated by young urban intellectuals.<sup>20</sup><sup>21</sup> The Thakin Party members played a leading role in grassroots movements in Myanmar, leading to the establishment of the Communist Party of Burma (CPB), the People's Revolutionary Party (PRP) and other political organizations.<sup>22</sup>

Japan had become aware of Myanmar's strategic significance since the

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<sup>18</sup> It was nonetheless also true that many immigrants from the Indian subcontinent remained as part of the lower class workforce.

<sup>19</sup> Nonetheless, Myanmar's general living standards under colonial rule were higher than in most other parts of Asia in the pre-war era, mainly due to its plentiful natural resources as well as a sufficient supply of foods and other necessities. Myanmar was also considered as a relatively advanced civil society in Asia particularly because of the existence of various non-governmental associations, a freer media and the University of Rangoon (Seekins, 2007: 5).

<sup>20</sup> Aung San and U Nu had also joined the Thakin Party by the end of the 1930s.

<sup>21</sup> Most young nationalists in Myanmar at this period were apparently influenced by Marxism in their ideology, but in fact pragmatically combined it with a variety of other ideological trends (Sakuma, 1993: 52-56).

<sup>22</sup> Mainly due to differences of opinions among those nationalists, however, the Thakin Party had increasingly become a party only in name.

establishment of the so-called Burma Road; the military logistics route used by the Allies in support of the Kuomintang Party in China led by Chiang Kaishek since January 1939. In order to strengthen its intelligence activities in Myanmar, the Japanese government began to make secret contact with Myanmar political activists through governmental and private intelligence agents. After being dispatched by the Japanese government in June 1940, Colonel Suzuki Keiji played a critical role in such intelligence activities. He recognized the young Thakin Party leader Aung San as a key figure among Myanmar's political activists, and at a meeting in Tokyo in November 1940, Suzuki persuaded Aung San and his followers to organize an anti-colonial army with Japan's material and technical support.<sup>23</sup> From April to October 1941, 30 young activists who were later called the 'Thirty Comrades' went to Japanese occupied Hainan Island to undergo tough military training from the *Minami Kikan*, the secret intelligence agency organized by Suzuki.

After the beginning of the Asia-Pacific War at Pearl Harbour on 8 December 1941, Colonel Suzuki persuaded the *Nanpo Gun* (Japanese Southern Area Army) to organize a Myanmar army with the Thirty Comrades at its core. This led to the establishment of the Burma Independence Army (BIA) in Bangkok on 28 December. The Japanese military, in cooperation with the BIA, subsequently began to combat the British colonial forces and pushed them out of Myanmar by May 1942. After that, despite the Myanmar nationalists' desire for independence, the Japanese military attempted to retain control over Myanmar's resources, holding a tight grip on the new Ba Maw administration even after Japan's declaration of Myanmar's 'independence' in 1943.<sup>24</sup> Responding to this situation, Aung San, the leader of the Burma National Army

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<sup>23</sup> Because he was wanted by the British colonial authority due to his political activities in Myanmar, Aung San had escaped from Myanmar to China. He initially contacted Chinese communists at Amoy in China to retain their support for Myanmar's independence movement, but this ended in vain. Upon learning about this, Colonel Suzuki ordered the *Kempeitai* (Japanese military police) to take Aung San from Amoy to Tokyo in order to persuade him to organize an independence movement by accepting Japan's support.

<sup>24</sup> The Japanese military also unravelled the *Minami Kikan* and reorganized the BIA into the Burma Defence Army (BDA) for this purpose.

(BNA)<sup>25</sup> at that time, secretly strengthened his contacts with underground political organizations in Myanmar. In August 1944, this resulted in the establishment of the Anti-Fascist Organization (AFO) involving the CPB and the PRP. Aung San and the BNA began to revolt against the Japanese military on 27 March 1945, when the British Commonwealth forces re-penetrated into Myanmar. After the retreat of the Japanese military, the AFO was transformed into the Anti-Fascist People's Freedom League (AFPFL). It included the BNA and communists and socialists as well as minority groups and became Myanmar's governing body. While the Churchill administration initially attempted to return Myanmar back to the pre-war system, Clement Attlee finally accepted the AFPFL's demand for Myanmar's independence, which was achieved in January 1948.

The Asia-Pacific War left a huge impact on both Japanese and Myanmar society. For Japanese troops, Myanmar was one of the most disastrous battlefields in the Asia-Pacific War. During the war period, more than 320,000 Japanese soldiers were dispatched to Myanmar and over 185,000 died from combat, disease, and starvation (Seekins, 2007: 13; Tanabe and Nemoto, 2003: 58-60). In the post-war era, this resulted in many Japanese war veterans and their relatives repeatedly visiting Myanmar to console the souls of the war dead. It is also noteworthy that there remain many anecdotal stories of Japanese soldiers receiving warm-hearted help and support from Myanmar people during the Asia-Pacific War. In the post-war era, many war veterans maintained their personal friendships with Myanmar people and supported the activities of non-governmental organizations promoting bilateral economic and cultural exchanges in cooperation with other sympathetic people (Tanabe and Nemoto, 2003: 58-60; Sakuma, 1994: 172-174).

The bilateral historical relationship which lasted until the end of the

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<sup>25</sup> The BNA was the army renamed from the BDA.

Asia-Pacific War also had various kinds of impact on Myanmar's politics and society. At the political level, the fact that many post-war Myanmar leaders, including the Thirty Comrades, underwent Japanese military training as well as received material and technical support for their independence movement became the foundation of bilateral political ties in the post-war era. On the other hand, many observers also point out negative aspects of the Japan-Myanmar history. Seekins notes that, having initially welcomed the Japanese military as liberators against the British Empire, Myanmar people became disillusioned by the boorish and arrogant behaviour of Japanese troops and the *Kempeitai*, which attempted to expose British spies and communists (Seekins, 2007: 12-13). According to Tanabe, Myanmar's history textbooks describe the Japanese occupation era as a time when the fascist Japanese military utilized Myanmar people as forced labourers, depriving them of food and access to natural resources and so on (Tanabe, 1996: 164-166). In particular with regard to the construction of the Thai-Burma Railway, or the so-called 'railway of death' which runs through mountainous jungle, 178,000 Myanmar people were forced to work without sufficient food, shelter or medical care, and 80,000 people never returned (Tanabe, 1996: 164-166).

### *3. Foreign Policy Agenda*

Having achieved its independence in January 1948, Myanmar entered international relations as a newly independent country in Southeast Asia. While Myanmar was generally a minor actor in global and regional political relations during this period, there were several issues concerning Myanmar which other governments found it necessary to deal with. The major agenda items in Myanmar's foreign relations had arguably been the Cold War and the relationship with the major powers including the U.S. and the PRC. The major economic-level agenda item had been the post-war

reconstruction of the domestic economic system, which had been dominated by both foreign people and capital in the pre-war era. At the domestic level, the Myanmar government's primary policy objective had been the achievement of postcolonial nation-building and domestic political stability. The Myanmar government faced substantial difficulties in integrating domestic society and establishing a stable political system, especially concerning its relations with ethnic minorities and other anti-governmental groups, and it remained highly vulnerable to domestic insurgency activities. Myanmar's nation-building and development was, in fact, largely unachieved during this period, and they remained as its major domestic goals. In presenting these challenges to Myanmar which held significant international implications, this section provides the basis of analyzing the international structure which shaped Japan's Myanmar policy.

Although post-war Myanmar had initially been governed under a federal democratic system, Ne Win took power from the AFPFL's U Nu administration by a military coup d'état in March 1962, and in doing so established an authoritarian military regime. In spite of the U Nu administration's efforts in postcolonial nation-building, the AFPFL was not able to establish a stable power base due to increasing domestic political instability and the insurgency activities of ethnic minorities and communists. Recognizing the division of the AFPFL in 1958 as a serious political crisis, Ne Win organized a caretaker government for election administration from 1958 to 1960 (Sakuma, 1993: 176). However, as the renewed U Nu administration still could not restore domestic political stability, Ne Win finally took power by a military coup. Ne Win stayed in power until 1988 by retaining the military's material capability.<sup>26</sup> Ne Win's military regime dealt with the challenges mentioned above through a substantially different combination of foreign, economic and domestic policies to the U Nu administration. Whilst the U Nu administration pursued a non-aligned foreign policy, a

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<sup>26</sup> Still, Ne Win carried out a cosmetic power transfer from a military government to a civilian one in 1974.



moderate socialist economic policy and the maintenance of a federal democratic system, the Ne Win regime promoted an isolationist foreign policy, an interventionist economic policy under the slogan of the 'Burmese Way to Socialism', and a coercive domestic policy for political stability.

In foreign relations, the AFPFL government employed a non-aligned foreign policy, or one of positive neutralism, which aimed at building friendly relationships with any countries regardless of ideological differences. In other words, Myanmar did not commit to either of the Cold War blocs nor accept any foreign aid with political strings attached; but rather hedged against the major powers in the intensifying Cold War confrontation in East Asia. Myanmar was a member of the Colombo Group, together with India, Ceylon, Pakistan and Indonesia, which advocated neutralism or anti-neocolonialism and initiated the Bandung Conference in April 1955, a meeting of Asian and African (AA) countries arguing for peaceful conflict resolution, regional economic cooperation and so on.

In contrast, the Ne Win regime promoted an isolationist foreign policy so as to eliminate foreign influences, and it regarded the major powers' interventions as threats to Myanmar's domestic stability and national unity.<sup>27</sup> The Ne Win regime not only refused substantial economic assistance from major countries including the U.S., the Union of Soviet Socialist Republics (USSR) and the PRC, but for a long time even hesitated to participate in ASEAN. Myanmar's relationship with the PRC worsened during the Cultural Revolution when the PRC eagerly supported the WFCP, despite maintaining its formal inter-governmental relationship. Myanmar's relationship with the

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<sup>27</sup> The memory of British colonial rule, which gave preferable status to ethnic minorities and allowed Chinese and Indian residents to dominate business and the economy, is often raised as a major source of Ne Win's scepticism against foreign influence. In addition, according to Kumada, Ne Win's coup was motivated at least partly by his observation that U Nu might make a compromise with the Shan State Army, which attempted to be independent from Myanmar and to join the Southeast Asian Treaty Organization (SEATO) as being implicitly suggested by Thailand and U.S. agencies (Kumada, 2003).

U.S. also deteriorated as Ne Win strongly suspected that the U Nu-organized Parliamentary Democracy Party's (PDP) anti-Ne Win demonstrations and guerrilla activities were at least partly supported by the Western bloc, especially by the U.S. (Kumada, 2001: 12). While successfully maintaining its isolationist foreign policy direction until the late 1980s, the Ne Win regime revealed a somewhat open attitude toward international assistance when it experienced serious economic difficulties in the early 1970s, and decided to accept economic assistance from Japan and West Germany as it considered them as politically less problematic countries.<sup>28</sup>

At the economic level, the AFPFL government initially attempted to construct a socialistic system by promoting the nationalization of all big companies. As Burma Proper's nationalism was at least partly inspired by the pre-war economic system that had been dominated by foreigners under British colonial rule, the AFPFL government attempted to prevent Indian, Chinese or British businesses from regaining a dominant position in the Myanmar economy. Given Myanmar's insufficient financial and human resources, however, the U Nu administration found it difficult to develop the economy without introducing any foreign capital or technology. Thus, the AFPFL government soon modified its economic policy to a more moderate socialist direction including the suspension of nationalization and the introduction of foreign capital. Yet, such a policy shift, in the end, could not attract enough foreign money to achieve Myanmar's industrialization.

The Ne Win regime, on the other hand, propagated the discourse of the 'Burmese Way to Socialism', implementing an interventionist economic policy from when it took power in 1962.<sup>29</sup> Due to serious economic difficulties in the early 1970s,

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<sup>28</sup> Ne Win also decided on Myanmar's first attendance of the Ministerial Conference for Economic Development of South-East Asia (MCEDSEA) held in October 1973, which was set up by Japan in 1966.

<sup>29</sup> This included restrictions on the entry of foreigners, the nationalization of private companies, and the suspension of foreign capital inflows and so on, which resulted in accelerating Myanmar's economic stagnation.

nonetheless, Ne Win decided to make a minor modification to his economic policy. Having called for foreign assistance equivalent to US\$2 billion in late 1976, Ne Win accepted assistance particularly from Japan and West Germany, which he regarded as politically less problematic countries. Thanks to increased foreign aid and improvements in agricultural production, the Ne Win administration achieved modest success in expanding the domestic economy, at least on the surface, from the mid-1970s to the early 1980s (Nemoto and Saitō, 1994: 240-250).

However, the Myanmar economy stagnated again in the early 1980s as the domestic expansion of agricultural production reached its short-term limits, while at the same time there was a substantial downturn in international commodity prices, which made it difficult for Myanmar to earn necessary foreign currency (Steinberg, 1993: 144-148). In addition, the appreciation of the Japanese yen and the West German deutsche mark around this period contributed to Myanmar's foreign debt accumulation.<sup>30</sup> Although the Japanese government, especially within MOF, began to worry about Myanmar's economic situation, Japan's economic assistance continued until the late 1980s, even though the amount peaked in the mid-1980s. The Ne Win regime maintained its interventionist economic policy until 1988, making Myanmar an even less significant country in international economic relations despite its abundant economic potential.

At the domestic level, postcolonial nation-building and domestic political stability had been the Myanmar government's primary policy objective throughout this period. The major obstacles that prevented the Myanmar government from achieving these objectives were the ethnic minority issue and domestic insurgencies. Ethnic division in Myanmar had been structuralized under British colonial rule and even

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<sup>30</sup> Somewhat ironically, in accordance with Myanmar's mounting economic and debt crisis, Japan's ODA became an indispensable capital inflow for Ne Win to maintain his regime (Seekins, 2007: 79-84).

deepened as a result of the battle of the BIA at the time of Japan's intrusion; this mostly consisted of Burma Proper against the British colonial army, which employed many ethnic minorities (Seekins, 2007: 25-28). Understanding the difficulty in settling the issue of ethnic minorities, Aung San and ethnic minority leaders held the Panglong Conference in February 1947, agreeing that the new government would employ a quasi-federal system. Although Aung San was assassinated in July 1947, the new Prime Minister U Nu employed a federal system based on parliamentary democracy as the basic political system of newly independent Myanmar. The ethnic minority problem, however, could not be settled because some ethnic minority groups brought firearms back to their territories and committed armed attacks against the AFPFL.

In addition, a split emerged within the AFPFL. Amongst the various nationalistic activists there were certain differences of opinion, especially between the CPB led by Thakin Soe and the PRP, later renamed the Socialist Party, led by U Nu. Firstly in February 1946, as a result of an internal conflict within the CPB, Thakin Soe broke away from the AFPFL and organized the Red Flag Communist Party (RFCP) to begin an underground armed struggle. In addition to this, although it stayed within the AFPFL, the WFCP, the majority of the former CPB led by Thakin Than Tun and Thein Pe, continuously criticized U Nu's policy direction during independence negotiations with the UK. Finally, in March 1948, right after Myanmar's independence, the WFCP also committed itself to armed struggle against the AFPFL government. Because many other ethnic minority groups coincidentally started anti-government revolts, Myanmar was almost in a state of civil war.

After the establishment of the military government, Ne Win began to carry out a more coercive strategy against domestic insurgency groups. The Ne Win regime achieved some success in decreasing domestic insurgency activities because of its direct utilization of material capabilities and because foreign support for domestic insurgency

groups declined. It was, however, unable to eliminate such activities completely, especially in the mountainous jungles in the border areas of Myanmar. In other words, Myanmar's postcolonial nation-building and domestic political stabilization remained as an unachieved objective for the Myanmar government.

#### *4. International Structure*

During this period, in terms of ideology-based friend-foe relationships, the Cold War in East Asia had arguably been the major structural factor that shaped international political relations surrounding Myanmar. At the same time, there had been certain movements among newly independent countries to politicize the North-South problem in the process of postcolonial nation-building and development. The Cold War confrontation, nonetheless, had been easing in East Asia especially since U.S. President Nixon's sudden visit to Beijing in 1972. Thereafter, many East Asian governments pursued pragmatic economic development rather than ideology, resulting in the emergence of the politics of development in the region. The rapid economic growth of those East Asian countries gradually decreased the political tension of the North-South problem in the region. While having certain significance in the Cold War confrontation in Southeast Asia, primarily due to its location, Myanmar became a less significant country in international politics not only because of the transformation of the Cold War structure but also due to Ne Win's isolationist foreign policy. In terms of international economic structure, Myanmar was recognized as an unsuccessful case of economic development in contrast to the rapid economic growth in other parts of the region. In terms of societal and transnational structure, Myanmar's unachieved nation-building remained as a risk for regional political stability, even if Ne Win's authoritarian rule had covered up Myanmar's domestic instability. While it generally played a minor international role, the Myanmar government had certainly been influenced by other

governments' policies toward its agenda. Such interactions over Myanmar's agenda within global and regional power configurations formed the international structural setting for Japan's Myanmar policy.

The U.S. generally held little interest in Myanmar except in the context of its Cold War strategy in East Asia. Through this strategy, the U.S. had taken a rigidly ideological approach toward the growing decolonization movements in Southeast Asia, based on a conviction that those movements should be checked if they would benefit the communist bloc. This was because the U.S. considered that it was unable to distinguish nationalists from communists in the process of decolonization (Hatano and Sato, 2007: 12-15). U.S. Secretary of State John Foster Dulles propagated the 'domino theory', warning of the risk that a communization domino would emerge in Asia if the Viet Minh made Vietnam into a communist country. Such an ideology-based confrontation intensified when the U.S. did enter the Vietnam War in 1959. However, U.S. President Richard Nixon's sudden visit to the PRC in 1972 and the subsequent normalization of U.S.-China relations led to a lessening of Cold War tensions in East Asia.<sup>31</sup> This in turn made the U.S. less engaged in regional political relations in East Asia.

In relation to Myanmar, the U.S. seemed to adopt an ambivalent policy in the early stages of the post-war era, attempting to maintain its relationship with the newly independent Myanmar government whilst at the same time providing support for the activities of Kuomintang remnants who had escaped from the Chinese territory to northern Myanmar so as to continue armed struggle against the PRC authority. Such assistance was presumably for the purpose of promoting the Cold War strategy of

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<sup>31</sup> This contributed to the ceasefire of the Vietnam War in 1975. Such transformation of the East Asian international structure was also accelerated by Deng Xiaoping's reform and opening-up policy in 1978, followed by the PRC's reconciliation efforts with neighbouring countries. Paradoxically, the Third Indochina Conflict, including the Sino-Vietnamese War in 1979 and Vietnam's intervention into the long-lasting Cambodian Civil War in 1978, which exposed complex friend-foe relationships throughout the Indochina Peninsula, reflected a gradual melting away, if not complete break up in the 1970s, of the Cold War structure of a rigid bipolar system in Southeast Asia.

containing communist activities in the Indochina Peninsula. This was presumably initiated by the Central Intelligence Agency (CIA) and the Pentagon separately from the State Department's official diplomacy (Kumada, 2001). The Myanmar government responded by raising this Kuomintang issue at the UN in 1953 while at the same time refusing a U.S. offer of grant aid.

After the establishment of Ne Win's military regime, the U.S. seemed to remain sceptical toward Myanmar due to Ne Win's socialism-oriented propaganda and apparently xenophobic attitude to the U.S. and other powers, even if it recognized the benefits of keeping Myanmar away from the communist bloc. Moreover, from the early 1970s, the improvements in the U.S.-China bilateral relationship made the U.S. even less interested in Myanmar. The UK, as the former-colonial power, also became sceptical about Myanmar's policy direction under the Ne Win regime; West Germany, on the other hand, began to provide more economic assistance to Myanmar after Ne Win's call for more international support in 1976.

The PRC and the USSR distanced themselves from the U Nu administration due to their sympathies for the WFCP. Since the mid-1950s, the PRC had strengthened its ties with the WFCP, providing material support for anti-government insurgency activities as a part of its strategy to support communist revolutionary movements in other countries. At the same time, the PRC attempted to improve its relationship with the Myanmar government, especially around the early 1960s, when it recognized that the U Nu administration's difficulty in preserving domestic political stability was an opportunity to increase its influence over Myanmar. In 1960, U Nu and Chinese Prime Minister Zhou Enlai concluded a treaty of friendship and nonaggression as well as a border agreement. In addition, Zhou Enlai visited Myanmar in 1961 to sign an agreement on economic and technical cooperation in which the PRC pledged to provide an US\$84 million interest-free loan. This resulted in many Chinese engineers working

in Myanmar (Sakuma, 1993: 178-179). While such a close relationship between Myanmar and the PRC was short-lived, mainly due to Ne Win's isolationist foreign policy, the PRC gradually decreased its material assistance to the WFCP in accordance with its shift to a 'good-neighbour' policy in the late 1970s, and sought to improve its relationship with the Ne Win regime. This made the formal Myanmar-China bilateral relationship more stable despite the Ne Win regime's persistent scepticism toward the PRC.

During this period, the international political structure had been largely shaped by the Cold War in terms of ideology-based friend-foe relationships in East Asia. These relationships were structuralized by the late 1940s.<sup>32</sup> Although it adopted a non-aligned foreign policy, Myanmar had been substantially influenced by the Cold War strategies of the U.S. and the PRC because of its strategic significance. The receding Cold War confrontation in East Asia from the early 1970s, nonetheless, clearly decreased Myanmar's strategic significance for the major powers. Within such a structural environment, Ne Win's isolationist foreign policy had largely decoupled Myanmar from the international political structure despite its economic dependence on foreign assistance until the late 1980s.

In terms of international economic structure, the development issue had been a major agenda of global and regional economic relations. It was occasionally politicised as an international conflict between Northern developed countries and Southern developing countries. Many newly independent countries recognized the necessity of ensuring political autonomy from their former imperial powers while at the same time achieving economic stability and growth, often with foreign assistance.<sup>33</sup> The major

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<sup>32</sup> The Korean Peninsula was divided into the Democratic People's Republic of Korea (DPRK) and the Republic of Korea (ROK) in 1948, and the PRC was established in October 1949. The Cold War rivalry became a hot war after the outbreak of the Korean War in 1950, which resulted in stalemate in 1953. In 1946, the Viet Minh led by the communist Ho Chi Minh began to fight for Vietnam's independence against the French.

<sup>33</sup> At the UN Conference on Trade and Development (UNCTAD) in 1964, for example, developing



powers were aware of the necessity to respond to the development issue as part of an economic system competition between the East and the West, and committed funds for economic assistance to developing countries. Whilst the North-South problem as a source of international political friction gradually receded in East Asia as many East Asian countries began to achieve rapid economic growth, the development issue continued to be a significant part of the global and regional political agenda. This led to a debate on burden sharing among Western developed countries, including Japan, in accordance with the decline of U.S. hegemony from the 1970s.

Within such an international economic structure, the Ne Win regime successfully minimized Myanmar's foreign economic relations by implementing an interventionist economic policy. Yet, from the late 1970s, the Myanmar economy became increasingly dependent on foreign aid, most of which was provided by Japan and West Germany. Myanmar's economic stagnation and accumulated debt problem, in contrast to the rapid economic growth of many other Southeast Asian countries, were serious cases of failure in economic development, even if they did not attract much international attention until the late 1980s.

In terms of societal and transnational structure, the Ne Win regime remained highly vulnerable to insurgency activities of ethnic minority and other anti-government groups, in spite of its military superiority. Many of those anti-government groups appeared to be sustained by transnational material support including the PRC's continuous support for the WFCP. In fact, Ne Win always suspected that foreign governments supported these domestic anti-government groups, which legitimized his isolationist foreign policy as a necessary measure to minimize and eliminate such foreign interventions.

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countries made strong demands against developed countries concerning primary commodity and preferential tariff issues.

## *5. Policy-Makers' Perceptions*

With the international structural setting described above as background, the Japanese government conducted its Myanmar policy based on its own perceptions of Myanmar's agendas, international structure and its own policy objectives. Japanese policy-makers' basic understanding of Myanmar's agendas was that Myanmar political leaders had a strong nationalistic desire for postcolonial nation-building and development which primarily determined their foreign, economic and domestic policies. This understanding was consistent with Japanese policy-makers' general perceptions of newly independent East Asian countries. At the same time, the Japanese government's actual policy toward Myanmar was influenced by its perceptions of the transitions in Myanmar's agendas and international structural pressures. In the early stages of the post-war era, the Japanese government was aware of its scarce power and the difficult position it held in international relations as a result of the Asia-Pacific War. Given such a severe international structural environment, the Japanese government primarily focused on minimal foreign policy objectives; namely the recovery of normal foreign relationships and the reconstruction of the domestic economy. In accordance with its expanding policy capabilities, however, the Japanese government increasingly incorporated its own perceptions of international structure, including the Cold War structure and the North-South problem in East Asia, into its Myanmar policy.

During the Cold War era, the Japanese government appeared to hold its own original perceptions of the nature of the regional political structure in East Asia. Essentially, many Japanese policy-makers did not share the U.S. government's rigidly ideological perception and approach toward East Asian countries. From the perspective of the Japanese government, post-war decolonization movements in Southeast Asia had basically been regarded as local political leaders' expressions of a nationalistic desire

for self-determination and nation-building rather than movements of communist solidarity (Hatano and Sato, 2007: 12-15). Still, Japanese policy-makers at the same time admitted that these decolonization movements had an affinity for communist ideology and that there was a possibility that the Eastern bloc would extend its influence over the region using communist ideology and material support. The Japanese government, hence, recognized that it was necessary to support the efforts of Southeast Asian political leaders for nation-building and development so as to prevent the expansion of communism in the region (Hatano and Sato, 2007: 1-17).

Having recognized its weak international power and position, post-war Japan initially focused on minimal foreign policy objectives toward Southeast Asia, including Myanmar, namely the recovery of international confidence in Japan and the achievement of economic growth. The recovery and maintenance of such international confidence was crucial for the Japanese government because, being the aggressor country in the Asia-Pacific War, it was necessary for Japan to re-enter the international community by normalizing its foreign relations as quickly as possible. As Myanmar refused to participate in the multilateral San Francisco Peace Treaty of 8 September 1951, post-war bilateral normalization and war reparations were certainly the most urgent concern for Japan's Myanmar policy at the early stages of the post-war era.<sup>34</sup> After an initial agreement on 4 November 1954, both governments finally exchanged the ratification instrument on a bilateral peace treaty as well as the official document on war reparations in Tokyo in April 1955.<sup>35</sup> It was the first war reparation agreement that

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<sup>34</sup> Japan needed to engage in bilateral normalization talks with many Southeast Asia countries which opted out of the San Francisco Peace Treaty, the multilateral peace treaty for the Asia-Pacific War. Myanmar refused to join the San Francisco Peace Treaty because of the lack of agreement on receiving war reparations partly by service reparations (Hatano and Sato, 2007: 17-19). It was also because Prime Minister U Nu considered that, on the one hand, it was unfavourable for his non-aligned neutral policy direction not to have Eastern countries' participation and, on the other hand, bilateral negotiation would give him a free hand from the U.S., which aimed at decreasing Japan's burden in its Cold War strategy (Seekins, 2007: 55).

<sup>35</sup> Before agreeing on war reparations, Japan had already set up an overseas office in Yangon in November 1951, upgrading it into a consulate-general in accordance with Myanmar's April 1952 declaration to end the state of war. This was followed by the establishment of Myanmar's consulate-general in Tokyo in May 1953.

Japan reached with any Asian country, and was considered as a milestone in post-war Japan's re-entry into international society. Japan's commitment to Myanmar came to US\$200 million of war reparations and US\$50 million of economic cooperation from 1955 to 1965.<sup>36</sup>

The Japanese government, at the same time, placed a high priority on economic recovery and growth in its post-war strategy due to the serious deterioration of the domestic economy, and it recognized the urgent necessity to strengthen its economic relationships with neighbouring countries and retain security assurance and economic assistance from the U.S. Japan's initial idea to construct close economic ties with Northeast China and the Korean Peninsula, however, was difficult to implement because of the communization of China and North Korea, although the Japanese government did not give up seeking opportunities to construct a pragmatic trade relationship with the PRC (Hatano and Sato, 2007: 1-6; Iokibe, 2006: 93-97). The Japanese government began to develop a policy plan to link domestic economic recovery with Southeast Asia's development, which was also regarded as a policy consistent with the U.S. Cold War strategy of preventing the communization domino effect in Asia (Hatano and Sato, 2007: 6-41). After that, the Japanese government increasingly recognized Southeast Asian countries as essential economic partners within the Cold War structure.

The Japanese government had recognized Myanmar as a significant country in the early stages of the post-war era. Even before finalizing the official end to the state of war and establishing a formal diplomatic relationship, Japan and Myanmar resumed a bilateral trade relationship, particularly in response to Japan's urgent need for food imports. Japan's serious dearth of food in its war-shattered economy led to increases in Myanmar's rice exports to Japan, which came to 70,000 tons in 1949 and rose to

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<sup>36</sup> This consisted of US\$20 million annually for goods and services from the Japanese government and US\$5 million annually for technical assistance and investment in joint ventures between the Japanese private sector and Myanmar's public and private sectors.

300,000 tons in 1954.<sup>37</sup> Nonetheless, Myanmar's rice exports to Japan dropped sharply in the latter half of the 1950s. Myanmar complained about Japan's shrinking rice imports in 1960, but Japan accepted only a limited compromise due to the recovery of its domestic agricultural production as well as an agricultural protection policy initiated by the LDP (Seekins, 2007: 56).

Whilst Myanmar's abundant natural resources and economic potential had occasionally attracted Japanese policy-makers' attention,<sup>38</sup> economic interests at the macro level did not appear to be Japan's primary policy objective toward Myanmar from the 1960s. Having been twice provided economic assistance by Japan for appraisal explorations of offshore oilfields in the early 1970s, in 1979, Myanmar committed to an oil export contract of one million barrels. Myanmar, however, could only export 50,000 kilolitres in 1979 and 60,000 kilolitres in 1980, which was negligible compared to the more than 250 million kilolitres of Japan's overall oil imports (MOFA, 1980 and 1983). This was followed by Myanmar's own domestic oil supply shortage in 1982. In the end, Myanmar never became a substantial supplier of natural resources to Japan despite its potential; it only exported a small amount of teak, pulses and other materials.

Once Ne Win took trade under state control and promoted the nationalization of domestic industries under the slogan of the 'Burmese Way to Socialism', it became even more difficult for Japan to increase its trade and investment with Myanmar due to severe restrictions on private economic activities. For example, Japan's trade relationship with Myanmar in 1977, right before Japan's rapid expansion of ODA disbursement, was US\$67 million of exports and US\$31 million of imports; both figures

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<sup>37</sup> According to Tanabe and Nemoto, on some occasions Myanmar sold rice to Japan for a cheaper price without even bidding (Tanabe and Nemoto, 2003: 61-63).

<sup>38</sup> When refusing Myanmar's demands for war reparations renegotiations, for example, the Japanese Ambassador to Myanmar, Hara Kaoru, was of the opinion that, given the military's influence over the administration regardless of the result of the 1960 election, a compromise on the renegotiations issue would be a necessary and wise decision to gain a beneficial solution to this issue and to improve the prospects of developing a future trade relationship (Hatano and Sato, 2007: 81-81).

were much less than 10% of those with any individual ASEAN5 country (MOFA, 1978). Despite some increase in Japan's exports since 1978, mostly thanks to expanding ODA disbursement, there were almost no synergetic effects with private-based trade and investment activities; activities which could be observed in many other Southeast Asian countries. In short, from the 1960s, Japan's economic interests in Myanmar at the macro level were too scarce to be regarded as major policy objectives, even if some Japanese policy-makers and businesspeople held expectations for Myanmar's economic and natural resources development in the future.

An alternative explanation is that the Japanese government started to incorporate its original perceptions of international structure in East Asia from around this period. From its own perspective toward the postcolonial nation-building process in Southeast Asia, the Japanese government took a somewhat autonomous policy approach toward Indonesia in the late 1950s and 1960s as well as in the Indochina Peninsula from the late 1960s to the early 1970s (Hatano and Sato, 2007; Miyagi, 2004; Hirata, 2001). The Japanese government seemed to be conducting these policies by combining its original perceptions with two strategic objectives regarding Southeast Asia: contributing to the U.S. Cold War strategy as a member of the Western bloc, and promoting friendship with Southeast Asian countries by supporting their political leaders' efforts for nation-building and development regardless of their ideology.

Japan's Myanmar policy objectives also shifted from minimal objectives to broader foreign policy goals (Kudo, 1997a: 277-279). When the war reparations renegotiation based on an 'equity clause' in the 1954 agreement became a bilateral agenda, the Japanese government recognized Myanmar's strategic significance within the Cold War structure.<sup>39</sup> Initially, the Japanese government had responded negatively

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<sup>39</sup> The 'equity clause' required a re-examination of the war reparations agreement, if necessary, when Japan's war reparations agreements with other countries became apparent. Japan's agreement with the Philippines in 1956 was for US\$550 million of goods and services and a US\$250 million economic development loan. Its agreement with Indonesia in 1958 was for US\$223.08 million of

to Myanmar's demand for renegotiation in 1959, claiming that the 1954 agreement was fair and equitable. In March 1960, despite being willing to compromise, as an alternative to renegotiation, Prime Minister Kishi Nobusuke only made an informal offer to provide low-interest loan assistance to U Nu, who was Prime Minister designate at that time. Ne Win's caretaker government reacted firmly, prohibiting Japanese imports and threatening to void the visas of Japanese businesspeople in Myanmar. Around this period, the Myanmar government also moved closer to the PRC so as to retain foreign support in dealing with domestic political and economic instability.

The Asian Affairs Bureau of MOFA, hence, advocated an early resolution of the renegotiation issue as it considered that Myanmar might seek assistance from communist countries (Hatano and Sato, 2007: 84-85). Coming into power in July 1960, Prime Minister Ikeda Hayato embarked on supporting Myanmar in order to prevent an expansion of the PRC's influence. It is likely that Ikeda recognized that it was Japan's responsibility as a member of the Western bloc to prevent the expansion of communist influence in the region. From this viewpoint, Ikeda focused not only on Indonesia, which Japan had actively supported since Kishi's period, but also on Myanmar in its strategy toward Southeast Asia. In observing Myanmar's worsening relationship with the U.S. and improving relationship with the PRC, Ikeda seemed to recognize Myanmar as 'China's target' in expanding its sphere of influence at that time (Hatano and Sato, 2007: 80-82).<sup>40</sup> Recognizing Ne Win's coup d'état in March 1962 as a chance to change the situation, the Japanese government, therefore, moved to strengthen ties with Myanmar's new military regime.

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goods and services, which resulted in a total of US\$400 million when it included trade debt write-offs, as well as a further US\$400 million economic development loan.

<sup>40</sup> Foreign Minister Ohira Masayoshi also mentioned to U.S. Secretary of State Rusk that Japan would provide as much economic assistance as possible because economic poverty in continental Southeast Asia would pave the way for communist penetration once it was linked with nationalistic emotions (Hatano and Sato, 2007: 86).

When Brigadier Aung Gyi visited Japan in January 1963,<sup>41</sup> Japan and Myanmar concluded the war reparations renegotiation with a commitment by Japan for US\$140 million of additional grant aid between 1965 and 1977, which was the so-called ‘quasi-reparations’ (*jun-baishō*), as well as a US\$30 million economic development loan. After that, the Japanese government deepened its relationship with the military regime and, according to Steinberg, probably sustained the regime by ‘quasi-reparations’ provision at the time of Myanmar’s economic downturn in the mid-1960s (Steinberg, 2001: 256). In addition, the Japanese government began to disburse ODA, budgeting 10.8 billion yen for the first yen loan in FY1968. As a whole, Japan’s Myanmar policy in the context of the Cold War strategy had aimed for two effects: ODA provision had been, on the one hand, a direct political tool for Japan to keep the Myanmar government away from the communist bloc, and on the other hand, it was assumed that it would decrease Myanmar’s social vulnerability against communist intrusion by supporting political and economic development.

International structural transitions in East Asia from the 1970s provided another opportunity for the Japanese government to reconsider its Southeast Asian policy, including Myanmar policy, in response to changing structural pressures. Whilst the Cold War confrontation in East Asia eased in the 1970s, the Japanese government became more and more involved in the North-South problem in East Asia in accordance with its growing economic power and activities in the region. Japan’s rapid economic growth caused friction, not only with developing Asian countries, some of which linked

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<sup>41</sup> Brigadier Aung Gyi was second in command of the military government and Minister of Trade and Industry in this period. Although the Japanese government recognized him as a key figure in the Ne Win regime, he was suddenly ousted on 7 February 1963, right before the Myanmar government’s announcement of a new economic policy based on the ‘Burmese Way to Socialism’ on 16 February. Steinberg suspected that Aung Gyi’s obsequious statement at the negotiations with Japan might have angered Ne Win and pointed out the possible conflict of opinions in economic policy direction between them as another probable reason for his removal (Steinberg, 1993: 142). In Japan, Aung Gyi mentioned that ‘We (the Burmese) have come here as a younger brother would to an older brother to consult a certain family problem’, making the Japan side somewhat surprised because these were terms used by pre-war Japan in explaining the concept of the East Asia Co-Prosperty Sphere.



Japan's economic advance with its pre-war imperialism, but also with the U.S. and other Western developed countries, which insisted that Japan should share the burden for maintaining international economic order. Accordingly, the Japanese government began to seriously consider its responsibility for regional development issues.

Japan faced strong demands from developing countries about primary commodity and preferential tariff issues at the UN Conference on Trade and Development (UNCTAD) in 1964. Asian countries in particular criticized Japan's reluctant attitude toward the negotiations and removed Japan from the list of AA countries, making Tokyo aware of the necessity to reconsider its policy regarding the North-South problem (Hatano and Sato, 2007: 148-150). Even after being criticized at UNCTAD, the Japanese government, especially MOF, still did not want to expand its economic assistance under the Sato administration's balanced budget policy line. In July 1965, U.S. President Lyndon Johnson, hence, made a critical statement to Finance Minister Fukuda Takeo, mentioning that it was Japan's responsibility as a leading country in Asia to show a strong interest in the peace and stability of the region (Hatano and Sato, 2007: 148-152). Accordingly, the Japanese government moved to organize the Ministerial Conference for Economic Development of South-East Asia (MCEDSEA), the first multilateral conference set up by post-war Japan, in order to discuss the issues of regional economic development. Although Japan could not successfully persuade Ne Win to participate in the conference at that time because of his reluctance to join multilateral negotiations, Japan's initiative reflected its motivation to address the North-South political confrontation by promoting economic cooperation with Southeast Asia, including Myanmar (Hatano and Sato, 2007: 153-157).

Anti-Japanese demonstrations in Indonesia and Thailand during Prime Minister Tanaka Kakuei's visit to Southeast Asia in January 1974 became another turning point in Japan's foreign policy toward Southeast Asian countries. Responding to this, Prime

Minister Fukuda Takeo proposed the Fukuda Doctrine during his visit to Southeast Asian countries in August 1977, expressing Japan's basic principles for the relationship between Japan and Southeast Asia.<sup>42</sup> Subsequently, the Japanese government sharply increased its ODA after Fukuda's 1977 announcement to double Japan's foreign aid. In doing so, the Japanese government released the Medium-Term Target of ODA to set out the targets of quantitative expansion of ODA in 1978, which was revised four times until 1993. In sum, the Japanese government became aware of the necessity to regain the confidence of Southeast Asian countries, and tried to do so by showing a friendly attitude and committing itself to address bilateral economic and social problems. At the same time, these actions were symbolic of Japan's desire to share the burden of global development with the U.S. and other developed Western countries. The Japanese government's White Paper on International Trade 1978, for example, discussed the North-South problem and Japan's relationship with developing countries, pointing out that there had been growing voices from developing and developed countries for Japan to behave responsibly in terms of economic cooperation from the viewpoint of harmonious development of the world economy (METI, 1978). The Japanese government, whose national security depended heavily on the Japan-U.S. Security Treaty, also regarded the construction of peaceful and friendly foreign relations as a preferable policy direction in order to improve Japan's security environment.

As Ne Win's call for foreign assistance coincided with Japan's growing awareness of its international responsibilities, the Japanese government decided to increase its economic assistance to Myanmar since, according to Dalpino, it had played "a central role" in the Aid Burma Consultative Group in Tokyo in November 1976 (Dalpino, 2007: 218).<sup>43</sup> Japan's ODA to Myanmar totalled US\$1.94 billion in grants

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<sup>42</sup> The Fukuda Doctrine demonstrated Japan's three basic principles: (1) Japan will contribute to the peace and prosperity of Southeast Asia and not become a great military power; (2) Japan will make best efforts to build 'heart-to-heart' relationships with Southeast Asian countries and become an equal partner of ASEAN; (3) Japan will also try to construct a relationship of mutual understanding with Indochina nations and contribute to the peace and prosperity of the whole of Southeast Asia.

<sup>43</sup> The Aid Burma Consultative Group was organized by the World Bank and consisted of ten donor

and loans between 1970 and 1988, which was two thirds of Myanmar's total bilateral ODA from Development Assistance Committee (DAC) member countries (Seekins, 2007: 62-63). Japan was clearly the most important donor to Myanmar, and Myanmar was constantly ranked in the top ten recipient countries of Japan's ODA from 1978 to 1988, and was often in the top five (Kudo, 2007: 5). These figures indicate that through its economic assistance policy during this period the Japanese government gave a high priority to Myanmar under Ne Win's rule.

It seems likely that the Japanese government connected its economic assistance to Myanmar with its overall policy on Southeast Asia when considering that Myanmar was a destination country in Prime Minister Fukuda's 1977 visit to Southeast Asia during which he proposed the Fukuda Doctrine. Steinberg noted that Japan disbursed economic assistance to Myanmar due to feeling a "self-perceived obligation to provide foreign assistance to less-developed nations because it was a member of the industrialized world," and that "Japan wanted to meet its social responsibility and gain the respect of other such nations" (Steinberg, 2001: 254). Japan's self-perceived obligation was not only toward developing Asian countries but also toward the U.S. and other Western countries, which had been exerting pressure for Japan to share the burden for Western-led international political order and development.<sup>44</sup> The Japanese government under international pressure for burden sharing found it easier to expand economic assistance to Myanmar, which had been generally accommodative to Japan's preferences in implementing aid projects.

It can also be argued that in providing economic assistance, the Japanese

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countries and multilateral aid agencies. It was also called the Burma Aid Group.

<sup>44</sup> The Japanese government, especially MOFA, might also have been motivated to play a mediation role between Myanmar and the U.S. during the Cold War era. According to Orr, in the early 1980s, Japanese officials in Yangon actively encouraged their U.S. counterparts to initiate and increase bilateral aid programs, and even attempted to persuade the Myanmar government to admit the U.S. Agency for International Development to join a large irrigation project, to which Japan was going to contribute (Orr, 1990: 134).

government prioritized regional political stability and bilateral friendship under the name of non-intervention.<sup>45</sup> One of the primary motivations behind Japan's foreign aid had been to restore the confidence of Asian countries in Japan, many of which held traumatic memories of foreign intervention, and the Japanese government had been very sensitive not to have its intentions for foreign aid be suspected (Seekins, 2007:72). This was to some extent a reflection of a general domestic preference for Japan to avoid involvement in international political friction. The Japanese government also regarded foreign aid as an essential policy measure to achieve regional political stability, one of Japan's primary policy objectives toward East Asia. ODA disbursement had even been perceived by some Japanese politicians as a necessary cost to maintain the political stability of authoritarian regimes in Asia, and a way to avert their eyes from the unfavourable domestic problems of these regimes (Orr, 1990: 25). This was particularly the case regarding Myanmar as it seemed to be a safer stance for Tokyo to avoid unnecessary friction with the Myanmar government given that Ne Win was extremely sensitive to foreign intervention and showed a negative attitude toward any conditions on a donor country's aid.

## *6. Resource Mobilization*

Until the late 1980s, it was relatively easy for the Japanese government to earn the support of domestic actors for its Myanmar policy. With regard to its ODA expansion policy in the late 1970s, the Japanese government was never critically challenged by any domestic actor concerning either its overall policy direction or its specific policy toward Myanmar. Many domestic actors were generally supportive of

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<sup>45</sup> In economic terms, the Japanese government seemed to justify its foreign aid by 'gap theory', explaining that economic assistance would contribute to developing countries' economic growth by bridging the gap between the amount of necessary investment and actual insufficiency of foreign currencies stemming from the export-import gap and scarce domestic savings (METI, 1978). This theory allowed the Japanese government to be indifferent to the quality of ODA projects as far as quantitative targets were achieved.

ODA expansion as Japan's contribution to international society during this period, and had neither sufficient information nor the capability to conduct an appropriate assessment and evaluation of actual ODA projects. This enabled the Japanese government to keep extending economic assistance to Myanmar in cooperation with pro-Myanmar politicians and Japanese companies participating in ODA projects.

*(1) The Diet and Politicians*

Although it has the official mandate to approve budget bills, the Diet held a limited influence on the allocation and assessment of the ODA budget. This was primarily due to informal coordination among bureaucrats and mainstream politicians and Diet members' general indifference to foreign policy (Seekins, 2007: 72). The JMPFL<sup>46</sup> was a platform for pro-Myanmar Diet members, consisting of around 60 Diet members in the early 1990s including Watanabe Michio,<sup>47</sup> Yamaguchi (Otaka) Yoshiko and Chairman Ozawa Tatsuo (Seekins, 1992: 255). Some influential politicians including Prime Minister Kishi, his adopted son Abe Shintaro<sup>48</sup>, and Watanabe Michio appeared to have a personal interest in Myanmar (Seekins, 2007: 68). Also, some JMPFL members presumably supported economic assistance to Myanmar for political leverage or special interests regarding bilateral ODA provision. Orr indicates that some politicians such as Abe and Watanabe had a relationship with war veteran associations (Orr, 1990: 85).

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<sup>46</sup> The JMPFL was initially named the Japan-Burma Parliamentarians' Friendship League.

<sup>47</sup> Watanabe was a powerful LDP politician who served as Deputy Prime Minister and Minister for Foreign Affairs from November 1991 to April 1993 after holding the posts of Minister for Health and Welfare, Minister for Agriculture, Forestry and Fisheries, Minister for Finance, and Minister for International Trade and Industry.

<sup>48</sup> Abe was a powerful LDP politician who served as Minister for Foreign Affairs from November 1982 to July 1986 after taking the posts of Minister for Agriculture, Chief Cabinet Secretary and Minister for International Trade and Industry.

## *(2) Business Sector*

Many Japanese companies participated in the Japanese government's war reparations projects and foreign aid projects from the early stages of the post-war era. Having been somewhat cautious about expanding the ODA budget for fear of limiting domestic policy resources, the Japanese business sector had become generally supportive for ODA budget expansion since the 1970s primarily because it recognized both the direct and indirect benefits of aid projects for its increasing overseas activities (Orr, 1990: 28-29). The Ne Win regime imposed strict restrictions on private business activities from the 1960s, so Japanese companies that committed themselves to carrying out business in Myanmar regarded the government's war reparations and ODA projects as essential to their business activities. Despite the Ne Win regime's restrictions, a number of individual companies, including construction, trading and consultancy companies, participated in ODA-related projects and other business activities in pursuit of potential opportunities in the Myanmar economy, even if they were not necessarily successful in the end.

## *(3) NGOs*

During this period, most NGOs engaging in the Japan-Myanmar bilateral relationship aimed to promote bilateral friendship and exchanges. The Japan-Burma Association, founded in 1933 and later to become the Japan-Myanmar Association, is the oldest Myanmar lobby organization in Japan. It consists of a number of companies operating in Myanmar and has been headed by politicians or former bureaucrats (Pongyelar, 2007: 15-17). While some other organizations, including ones for veterans dispatched to Myanmar during the Second World War, have promoted bilateral friendship, there were few NGOs aiming at advocacy or aid project implementation until the 1980s.

#### *(4) Media and Public Opinion*

Some Japanese media began to report on the problems of Japanese ODA projects in the 1980s, criticizing scandals and cases of environmental destruction, including ones in Myanmar (See Mainichi Shimbun Shakaibu ODA Shuzaihan, 1990). Until then, Japanese public opinion had been generally positive toward expanding the ODA budget primarily based on a superficial understanding of the situation (Orr, 1990: 25-27). In fact, public opinion had not been focused on Japan's ODA policy and was not informed enough to monitor and assess Japan's economic assistance during this period.

#### *7. Domestic Policy-Making System*

In Japan's Myanmar policy-making, there was a significant transition from relatively coherent policy-making to a more fragmented organizational process in the late 1970s. Until then, decisions on critical issues regarding Myanmar, namely war reparation negotiations in 1954, war reparation renegotiations in 1963, and ODA expansion in the late 1970s seemed to have been taken within a domestic policy-making system involving influential politicians. On the other hand, the management of expanding ODA, which was the major part of Japan's Myanmar policy after the late 1970s, was dealt with by domestic bureaucratic coordination under the overall policy direction of a quantitative expansion of ODA. It is likely that this was due to the characteristics of these policy issues and the fragmented nature of Japan's foreign and ODA policy-making, which became more apparent around this period. Once Japan's ODA provision became an issue to be dealt with organizationally, Japan's ODA was not adequately checked nor assessed from the perspective of effectiveness in achieving its

policy objectives within the policy-making system.<sup>49</sup>

In accordance with the rapid expansion of the ODA budget after the late 1970s, Japan's foreign aid policy-making became an organizational process to adjust the ODA budget allocation among recipient countries. This process presumably involved the rent-seeking activities of politicians and private companies committed to ODA projects. By examining Japan's aid to Myanmar, Seekins calls such a transition in Japan's policy-making as a '*kokunaika*' (domesticization) process, which is operated "on the basis of closed, though not necessarily unbreachable circles of individuals and groups who confer favors upon each other within the framework of long-term, reciprocal relationships" (Seekins, 1992: 247). As a result, Japan's foreign aid policy-making became a business-as-usual process rather than a strict assessment process of policy objectives and efficacy except in the cases of scandals and other external changes.<sup>50</sup>

Since deciding upon a quantitative expansion of economic assistance in the late 1970s until Myanmar's serious economic downturn became apparent in the late 1980s, there did not seem to be any domestic actor that had the incentive to conduct a serious

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<sup>49</sup> Still, the impact of Japan's war reparations and economic assistance seem to be mixed. For example, the Baluchaung hydro power plant, the most symbolic project of Japan's war reparations completed in March 1960, has provided a significant portion of electricity to central Myanmar, including Yangon, for nearly half a century. The plant was built in Karenni (Kayah) State, a remote jungle area with frequent insurgency activities, using around 17 percent of total war reparations between 1955 and 1963, together with Nippon Kōei and Kajima as major participants from Japan (Seekins, 2007: 59-60; Arase, 1995: 30; Rix, 1980: 201-202). On the other hand, the so-called 'Four Industrialization Projects' (*Yon-dai Kōgyōka Purojekuto*) have earned a poor reputation (Steinberg, 2001: 255; Kudo, 1997a). A war reparation project that began in 1962 aimed to support the construction of assembly plants for four selected industries including light and heavy vehicles, agricultural machinery and electric goods. In contrast to the initial project objectives, those industries never became self-sustaining, and as a result four Japanese companies, namely Hino for truck assembly, Mazda for automobiles, jeeps and vans, Kubota for farm machinery and Matsushita for electrical appliances, continued to supply components until the end of the project in the late 1980s (Seekins, 2007: 60-61). As a whole, the Ne Win regime did not pay much attention to the implementation and evaluation of economic assistance once such aid projects were committed (Seekins, 2007: 73-74). Also, there was almost no monitoring of foreign aid projects in Myanmar as it had been extremely difficult for intellectuals, journalists and other private actors to raise any voice against the government (Seekins, 2007: 73).

<sup>50</sup> Japan's normalization of ties with the PRC in 1978, for example, became an opportunity to start extending ODA to the PRC.



assessment and evaluation of Japan's aid policy. MOFA recognized international structural pressures and advocated the necessity to expand the quantity of ODA to Myanmar in response to such pressures. METI never had any strong motivation to oppose Japan's ODA disbursement to Myanmar as its own ODA projects could be understood as not only a prior investment for Japan's access to Myanmar's potential market, but also a means to create foreign demand for Japanese companies' products, even if this did not result in any synergetic effects. It was in the late 1980s that MOF finally took Myanmar's accumulated debt problem seriously, which resulted in the ODA budget to Myanmar reaching its peak at this time. Such policy-making was mostly carried out as a routine process within an administrative framework (Orr, 1990: 12). This situation can be described as one of 'inertia', in which no actor took any actions to strictly assess projects or review policy with regard to economic assistance to Myanmar.

Several features of Japanese foreign aid in combination with factors on the Myanmar side ensured that Japan provided continuous economic assistance to Myanmar. First of all, the Japanese government operates '*yōsei-shugi*' or a request-based system in providing ODA, selecting its aid projects from a request list submitted by a recipient country. This has been officially explained as a system to encourage a recipient country's sense of ownership of a project and to encourage self-help efforts; whereas, in fact such project requests were in many cases proposed by Japanese consultant companies in coordination with the recipient country's government (Orr, 1990: 60). This system was, to some extent, a product of Japan's insufficient institutional capacity for ODA implementation. As the Japanese government expanded its ODA budget too rapidly without building up the necessary human resources for project implementation, Japan's ODA projects could not help but depend heavily on private companies (Orr, 1990: 28-29). Such insufficient institutional capacity, in combination with the primacy of quantitative targets for ODA provision meant that any project evaluation systems were left largely undeveloped. Japan's economic assistance to Myanmar was a typical

case of rapid quantitative expansion without having an adequate assessment and feedback mechanism within Japan's ODA implementation system (Kudo, 1997a).

## 8. *Conclusion*

Japan's Myanmar policy before 1988 has often been explained by Myanmar studies scholars from two perspectives: that of 'special interests' and a 'special relationship'. The 'special interests' argument points out that Japan's economic assistance to Myanmar was motivated by special interests related to aid projects at the micro level. The Mainichi Shimbun, for example, indicated the possible existence of Japan's domestic political-business interests, which could have led to exceptional features of the 'Four Industrialization Projects' (Mainichi Shimbun Shakaibu ODA Shuzaihan, 1990: 8-22). By utilizing the concept of a 'boomerang economy', Seekins hypothetically illustrated the inflation mechanism of the scale of ODA projects which was caused by participants' interest in maximizing profits within a policy-making system that had no effective monitoring function to improve the quality of economic assistance (Seekins, 2007: 71-74).

Despite the loose assessment mechanism for aid projects and possible existence of some special interests in economic assistance, however, such interests do not seem to have had much impact on the balance of ODA budgetary allocation among recipient countries. Japan's ODA provision to Myanmar between 1983 and 1987 was US\$779 million. This was far less than that for the PRC (US\$2,177 million), Indonesia (US\$1,433 million), the Philippines (US\$1,364 million), Thailand (US\$1,307 million) and Bangladesh (US\$932 million); and almost at the same level as Malaysia (US\$777 million) and India (US\$704), followed by Pakistan (US\$511 million) and Sri Lanka

(US\$466).<sup>51</sup> Although various interpretations for this data are possible, the amount for Myanmar is moderate if Myanmar is regarded as a less-developed Southeast Asian country outside ASEAN. More precisely, special interests might have had some impact on the formulation, selection or continuation of certain ODA projects, but this only became possible under political pressure to spend the expanded ODA budget and only within the balance of budgetary allocation formed by administrative coordination.

The ‘special relationship’ argument in terms of bilateral personal and emotional ties between Japan and Myanmar has also been raised as a major reason for Japan’s economic assistance (Steinberg, 1993: 139). In addition to the pro-Myanmar politicians and NGOs mentioned above, there are certainly many Japanese, the so-called ‘*biru-kichi*’ (*Biruma kichigai*, crazy about Burma), who have a strong emotional attachment to Myanmar after visiting as diplomats, technical advisors and so on (Seekins, 1999b). Rix identifies the Japan-Myanmar relationship as a special relationship using the example of Japan’s first untied loan for oil exploration appraisal in Myanmar in 1971 (Rix, 1980: 235). Steinberg also describes the emotional bilateral ties between Japan and Myanmar in the following way:

The Japanese retained a sentimental attachment to Burma after the war, partly because of the trauma and a certain amount of guilt over the era, partly perhaps because of the attraction of Burmese Buddhism, and partly because at certain levels there was real affection between the Burmese and the Japanese (Steinberg, 2001: 254).

Nemoto puts even more stress on the bilateral ‘special relationship’ as Japan’s “non-rational” motivation for its “extraordinary amounts of aid” (Nemoto, 2007: 100-103). Many Japanese policy-makers mentioned that the Ne Win regime had shown

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<sup>51</sup> All figures are calculated from the data of ODA net disbursement in MOFA, Diplomatic Bluebook 1988, 1987, 1986, 1985, and 1984.

a friendly and accommodative attitude toward Japanese policy-makers, giving priority access to Myanmar's senior leaders and repeatedly glorifying their shared history (Tanabe and Nemoto, 2003: 68-69). Whilst some policy-makers certainly had an affinity for Myanmar, nonetheless, Diet members' bilateral friendship leagues and individual politicians also advocated ODA provision to many other countries. The Abe faction, for instance, apparently influenced economic assistance not only to Myanmar but also to South Korea and Thailand, and the Tanaka faction presumably supported aid provision to the PRC and Indonesia (Orr, 1990: 23). It can be assumed that the '*biru-kichi*' bureaucrats did not have as much power in the domestic policy-making system in comparison to other countries' specialists.

Moreover, as mentioned above, the actual ODA budgetary allocation to Myanmar was not necessarily excessive, at least in comparative terms. In comparing Japan's ODA to Myanmar with that to Bangladesh, Seekins casts doubt on a shared history and personal ties as a dominant factor in Japan's ODA policy-making (Seekins, 2007: 74-75). Still, it is possible that the discourse of a 'special relationship' or a 'pro-Japanese country' had functioned as a handy rationale for MOFA and other advocates in explaining the ODA budget to Myanmar vis-à-vis other domestic policy-makers, Diet members and public opinion, none of which had necessarily been sensitive to international structural pressures. To sum up, the 'special relationship' should at best be considered as a supplementary factor in explaining Japan's foreign aid policy to Myanmar, if not just a discourse; even though the 'special relationship' had arguably been an essential asset for the bilateral diplomatic relationship.

In essence, Japan's pre-1988 Myanmar policy was generally a response to international structural pressures into which the Japanese government increasingly reflected its own perceptions of Myanmar's agendas and surrounding international structure. Despite pursuing minimal foreign policy objectives, the Japanese government

was increasingly aware of its role as a member of the Western bloc and the only developed country in Asia. The Japanese government, hence, came to recognize the necessity of supporting the Ne Win regime in order to keep it away from the communist bloc and to show Japan's contribution to international political stability and development vis-à-vis Asian developing countries and Western developed countries.

Even so, from the late 1970s, under the overall policy direction of ODA expansion, Japan's foreign aid policy toward Myanmar became a matter to be dealt with through organizational processes involving some rent-seeking activities of domestic actors. In accordance with the sharp expansion of its ODA budget, Japan's economic assistance to Myanmar was overwhelmed by the inertia of administrative coordination in foreign aid policy-making. In other words, Japan's economic assistance to Myanmar reflected the political aim of expanding ODA and was conducted in the manner of 'business as usual' without any strict assessment and evaluation. This resulted in a situation in which different domestic actors assigned different meanings to economic assistance to Myanmar.

## **Chapter 3**

# **From 1988 to 1996: Default Engagement in the Development of the Myanmar Problem**

### *1. Overview*

With this chapter, this thesis begins the main part of the empirical case study; Japan's Myanmar policy in the post-Cold War era. This chapter covers Japan's Myanmar policy from 1988 to 1996. This period began in August 1988 with the '8888 Uprising', which meant that it was necessary for the Japanese government to deal with the development of the Myanmar problem. Responding to Myanmar's destabilizing political situation after the '8888 Uprising' the SPDC headed by Chairman Saw Maung declared a military coup d'état on 18 September 1988. Having announced a transitional government,<sup>52</sup> the SPDC held a general election on 27 May 1990, resulting in a landslide victory for the NLD, which gained approximately 60% of the votes and 386 out of 485 seats. The military government, nonetheless, stayed in power throughout this period by emphasizing the necessity to establish a formal constitution before transferring power to a new civilian government. By successfully consolidating its power after Than Shwe's succession from Chairman Saw Maung on 23 April 1992, the SPDC accelerated economic liberalization and carried out ceasefire negotiations with ethnic minority groups. Following the progress of these policies, the SPDC released Aung San Suu Kyi from house detention on 10 July 1995.

During this period, the diversifying policy agenda stemming from Myanmar's domestic political turmoil from 1988 to 1990 and international structural transitions at

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<sup>52</sup> Staying in power for almost five months without any public announcement on future power transfer while defining itself as a transitional government, the SPDC finally made it clear in February 1989 that a general election would be held in May 1990.

the end of the Cold War transformed the costs and benefits for the Japanese government in conducting its Myanmar policy. At the international political level, Myanmar had gradually lost its strategic significance, especially for Western governments, because of the collapse of the Cold War structure in East Asia. Whereas the PRC recognized Myanmar's political turmoil as an opportunity to improve its relationship with a geopolitically crucial neighbouring country, Western countries were less concerned about international political games than in criticizing the SPDC's lack of democratic legitimacy. At the international economic level, the SPDC's moves toward economic liberalization policy were welcomed by transnational companies and many East Asian countries, leading to an increase in the amount of imports and foreign investment to Myanmar in the mid-1990s. In other words, Myanmar attracted international attention as an emerging market with high economic potential in East Asia. At the societal and transnational level, on the other hand, the military government retained dominance in Myanmar throughout this period even if Aung San Suu Kyi and the NLD mobilized international pressure, especially from governments and NGOs in Western countries, by claiming democratic legitimacy.

The Japanese government had primarily been concerned about the Myanmar problem from the perspective of Myanmar's political stability and economic development. In observing Myanmar's domestic power distribution and social instability, Tokyo anticipated that Myanmar's democratization would be a gradual process with various twists and turns, and hence considered that Myanmar's gradual shift to economic liberalization and political democratization was preferable for Japan. Although it considered that domestic legitimacy was an essential value to be respected, the Japanese government regarded that it was necessary and more realistic to respect state sovereignty and try to persuade the SPDC to act for domestic political reconciliation and economic development. High-handed foreign interventions, which the U.S. and other Western governments had employed, had been regarded as a

counterproductive policy measure toward the Myanmar problem by many Japanese policy-makers.

The Japanese government, nonetheless, remained in a nuanced engagement policy because of international structural pressures, especially from the U.S., as well as due to a lack of perceived critical interest in Myanmar. Western countries' sanctions policy and U.S. pressures on Japan's resumption of economic assistance were certainly recognized by Japanese policy-makers as substantial obstacles to reopen ODA disbursement. The Japanese government also seemed to perceive Myanmar as having less strategic significance around this period due to the decreasing tension of Cold War confrontation in the region. However, it presumably considered the Myanmar problem as important from the viewpoint of East Asian regional stability and Japan's contribution to it. While it would have been possible for Japan to proactively engage with Myanmar if it had substantial interests there, as could be observed in Japan's policy toward the PRC after the Tiananmen Square incident, the Japanese government appeared not to perceive enough crucial interests in Myanmar to overcome international structural pressures during this period.

Moreover, Japan's pre-1988 Myanmar policy-making, which had become an organizational process of administrative coordination, was transformed into bureaucratic politics by Myanmar's political turmoil from 1988 to 1990. While the development of the Myanmar problem transformed the costs and benefits imposed by multi-dimensional international structure on Japanese policy-makers and other domestic actors, political leaders did not take any distinct initiatives during this period. As a result, Japan's Myanmar policy-making reflected the different interests of concerned bureaucrats and politicians, although it was generally coordinated by MOFA based on certain shared perceptions within the Japanese government. This made Japan's Myanmar policy into a series of reactions to the development of the Myanmar problem



and other governments' policies towards it. To maintain a good relationship with a pro-Japanese Asian country, to seek increasing business opportunities in Myanmar, as well as to secure Myanmar's debt repayment and support existing interests in on-going ODA projects seemed to have been, implicitly or explicitly, advocated by Japanese policy-makers and domestic actors.

In order to pursue these interests and despite the SPDC's obvious neglect of democratic legitimacy, it was preferable for Japan to persuade the SPDC to employ a moderate policy and to take international criticism into account in order to depoliticize the Myanmar problem in the international arena. This was in contrast to other options such as the sanctions policy of Western governments and the unconditional support policy which the PRC began to employ. Although they did not have a substantial impact on Japan's Myanmar policy-making, the emergence of anti-military government groups and domestic media reports on Myanmar's political turmoil somewhat increased the domestic costs to the Japanese government of conducting a proactive engagement policy. A low-key policy of friendship engagement in the manner of 'quiet diplomacy' thus had been a preferred policy for the Japanese government, which could retain, at least implicitly, domestic support from traditional bilateral friendship groups as well as economic engagement groups. By analyzing this process, this chapter describes how the Japanese government responded to Myanmar's changing political situation as well as international structural transitions after 1988.

## *2. Foreign Policy Agenda*

The development of the Myanmar problem after the '8888 Uprising' as well as the SPDC's new foreign and economic policy substantially transformed the agenda concerning Myanmar after 1988. The development of the Myanmar problem after the

'8888 Uprising' revealed Myanmar's domestic agendas of democratic legitimacy and human rights protection, which many Western governments particularly focused on. Meanwhile, continuous domestic insurgencies by Myanmar's ethnic minorities and other anti-government groups remained as major risks to its political stability, which was assumed to have significant implications for regional political stability in East Asia. Moreover, emerging non-traditional security issues including narcotics trafficking as well as emigrants and refugees had an increasingly serious transnational impact, even though they did not attract so much international attention during this period.

In foreign relations, the SPDC attempted to make a policy shift from Ne Win's isolationist foreign policy. Whereas the Ne Win administration kept a distance from the U.S., the PRC and the USSR primarily for the avoidance of foreign intervention, the SPDC sought foreign assistance in pursuit of its domestic political consolidation and economic development after seizing power. As most economic assistance was suspended by Western countries after the '8888 Uprising', the SPDC's efforts to acquire assistance had been directed to neighbouring countries, especially the PRC and ASEAN members. This means that the SPDC found it beneficial to retain neighbouring countries' political support to counterbalance Western criticism and sought their economic assistance to ensure its domestic development, yet it was still cautious about excessive dependence on other countries.

The PRC increasingly became a major provider of political support, military procurement as well as economic and technical assistance to Myanmar during this period. At the same time, the SPDC began to commit to the ASEAN framework for the purpose of gaining political and economic support and thereby hedging against the PRC (Steinberg, 2001: 237-238). Having participated in the ASEAN Foreign Ministers' Meeting at Bangkok in July 1994 as the chair's guest, the SPDC had taken steps toward its formal entry into ASEAN, which would eventually take place at the 30th anniversary

meeting in Kuala Lumpur in July 1997.<sup>53</sup> At the international political level, Myanmar under the Ne Win regime made little substantial impact on the regional political structure insofar as it maintained domestic stability, but the SPDC's policy shift began to be recognized by neighbouring countries as having some strategic implications for regional power politics.

At the economic level, Ne Win's economic management not only identified Myanmar as a serious concern on the global development agenda but also seriously damaged Myanmar's domestic economy and society. Major donor countries and international development agencies had come to recognize Myanmar's economic stagnation and foreign debt accumulation as a serious risk for international development assistance. Myanmar's economic crisis finally reached the point in 1987 that Yangon could not help but delay the repayment of its foreign debt and accept the status of LLDC at the UN General Assembly. This was in return for preferential treatment in foreign aid such as the extension of debt repayments in December 1987. Accordingly, by admitting certain failures in economic management, the Ne Win administration notified its partial liberalization of agricultural transactions on 1 September 1987. Only four days after the announcement, however, the Ne Win administration suddenly announced the demonetization of three kinds of banknote, notably the 75, 35 and 25 *kyat*, which represented more than 60% of Myanmar's money circulation. Although it was officially explained as a measure to eliminate black market merchants, the demonetization policy seriously affected private merchants preparing for the liberalized agricultural business and ordinary people who generally preferred to save cash instead of using the unreliable banking system (Sakuma, 1993: 113-114).<sup>54</sup> These inconsistent economic policies fuelled public frustration and anger against the government, leading

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<sup>53</sup> The SPDC signed the Treaty of Amity and Cooperation in Southeast Asia (TAC) in 1995 and retained the status of ASEAN observer in 1996.

<sup>54</sup> Actually, the Ne Win regime demonetized twice before this time: in May 1964 and in November 1985. Previously the regime exchanged new banknotes in return for demonetized banknotes but did not do this at this time except for public officers, pensioners and foreign diplomats (Sakuma, 1993: 113-114).

to the occurrence of the '8888 Uprising'.

In order to improve the domestic economic situation, the SPDC began to conduct economic reforms, of which trade liberalization and foreign capital introduction were the main pillars. For example, from 1988, the SPDC, legalized cross border trade by agreeing to open border trade points with Thailand, the PRC, India and Bangladesh, resulting in increasing imports from neighbouring countries. As a result, during the SPDC's four year economic plan from FY1992 to FY1995 the Myanmar economy achieved 8.2% average GDP growth, which was far higher than its initial target of 5.1% (Kudo, 1997b).

Although the SPDC maintained economic liberalization as its basic policy line until the late 1990s, Myanmar's economic growth was short-lived. This was due to several reasons. At the real economic level, there had been a widening gap between rapidly increasing imports and slower growing exports, which was partly due to the weakness of the export industry and partly due to restrictions on agricultural exports (Kudo, 2008: 8-13). Prior to 1988, Myanmar had insufficient foreign currency reserves to accommodate a rapid increase of short-term imports. This became even more serious because the SPDC could only attract limited foreign aid, especially from Western countries, most of which suspended economic assistance to Myanmar for normative reasons, as will be argued later. In addition, given its own unpopularity and Myanmar's domestic instability, the SPDC could not carry out decisive economic reforms such as agricultural export deregulation for fear of causing social destabilization through the sacrifice of a stable domestic food supply.

Yet, at least until 1996, Myanmar kept attracting international economic interest because of a widespread expectation that Myanmar's economic potential and the SPDC's liberalization policy would lead to a certain level of economic growth. This

might have been partly due to a kind of euphoria, particularly in East Asia, that Myanmar would follow the cases of other East Asian developmental states which had achieved economic liberalization and growth before then.

The agenda of democratic legitimacy in Myanmar became acute when the SPDC ignored the result of the 1990 general election. Aung San Suu Kyi and the NLD claimed that they were the legitimate government and repeatedly called for direct dialogue with the SPDC by making the most of their support from foreign governments and domestic public opinion. Retaining control of material capabilities, the military government launched an initiative to formulate a new constitution at the National Convention,<sup>55</sup> which was called for the first time in January 1993, by explaining it as a necessary step for the establishment of a civilian government. This separation of political power and political legitimacy was the basis of the struggle between the SPDC and the NLD.

The SPDC's clear policy priorities were national unity and stability and the problem of democratic legitimacy could only be taken into account insofar as it would not harm such prioritized objectives. The SPDC's basic stance toward the NLD was thus rather clear: to oppress NLD activities when they were judged as obstacles to its guidance and direction whilst welcoming it to the National Convention as long as NLD members obeyed the discussion rules and remained under control. This was simply unacceptable for the NLD and Aung San Suu Kyi. Actually, while the release of Aung San Suu Kyi from house arrest on 10 July 1995 led to NLD members attending the National Convention, which restarted from 28 November 1995 after an intermission, they boycotted the discussion after the second day claiming that the SPDC was running the convention in an undemocratic way (Nemoto, 1995). In response to this, the SPDC

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<sup>55</sup> The National Convention originally consisted of 702 delegates appointed by the SPDC on the assumption that they represented various domestic groups. Only 15% of these delegates were those elected in the 1990 general election (Steinberg, 2001: 81).

expelled 86 NLD members from the National Convention, resulting in further political tension between the SPDC and the NLD.

With regard to human rights protection, the crackdown of the '8888 Uprising' revealed the military government's cruel response to unarmed civilian protestors, resulting in more international attention on Myanmar's human rights situation. To some extent this overlapped with the agenda of democratic legitimacy in terms of the SPDC's repression of the NLD's political activities, though it was not limited to it. Human rights issues in Myanmar varied considerably; from the infringement of political rights including freedom of speech, assembly and association to the problems of forced labour, censorship, judicial procedures without due process, and property rights violations. In ethnic minority areas where insurgency activities continued, the military carried out random killings, rapes and forced migration, though the scale of human rights violations reportedly decreased in accordance with the ceasefire process with domestic insurgency groups (Pedersen, 2008: 7-8). In spite of international and domestic criticism, however, the military government generally regarded such human rights violations as necessary costs in the process of nation-building and development, which many other countries had historically paid.

Myanmar's domestic insurgencies had been a critical obstacle for the Myanmar government to achieve national unity since the end of the Second World War. The SPDC moved to make ceasefire agreements with domestic insurgency groups by utilizing both carrot and stick methods. These efforts were supplemented by the movement in the late 1980s of the PRC to end its support for the WFCP's activities. It was reported in January 1996 that all domestic armed combat in Myanmar stopped for the first time since independence and that most of the major ethnic minority groups reached a ceasefire agreement with the military government (Sekai Shūhou, 9 April 1996: 58-59). Such efforts for a ceasefire with domestic insurgency groups led to the participation of

most ethnic minority groups in the National Convention, even if many of them never abandoned their armaments. At the same time, the fact that the military government primarily concentrated on dealing with the problem of domestic insurgencies meant that most of its political and material capabilities were focused on this purpose, resulting in limits to its policy resources for other objectives.

Narcotics trafficking was another very important issue in Myanmar. The Golden Triangle region, the border area between Myanmar, Thailand and Laos, was recognized as one of the biggest production bases for narcotics in the world.<sup>56</sup> Whereas the military government conducted public anti-drug campaigns and eradicated poppy fields, some insurgency groups or local leaders earned money from narcotics sales or taxes mainly for the purpose of building up their weapons (Steinberg, 2001: 215). Such an interest system in narcotics production may have been, at least partly, promoted by the SPDC's backstage deals with some ethnic minority groups to guarantee free economic activity in their areas, including narcotics production and trade, in return for agreeing to a ceasefire (Kudo, 1999: 55). As those narcotics were not only traded within Myanmar but also distributed across the borders by transnational networks, other countries, especially the U.S. and Thailand, were keen on tackling this problem.

A large number of emigrants and political refugees escaped from Myanmar in fear of the authority's repression, in many cases because of their commitment to political activities since the '8888 Uprising'. At the same time, there became a growing number of refugees due to combat between the military and insurgency groups and due to forced relocation by the military. The number of illegal emigrants who sought jobs in other countries also increased in accordance with Myanmar's economic downturn, especially after the mid-1990s. The impact of emigrants and refugees was not only social and economic but also political because many of them attempted to raise political

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<sup>56</sup> It was reported that poppy production in Myanmar had tripled from 1987 to 1996, reaching 50-60% of world production (Kudo, 1999: 54).

awareness by lobbying and protesting in other countries (Steinberg, 2001: 245-247).

### *3. International Structure*

The diversified foreign policy agenda regarding the Myanmar problem had a complex impact on international and transnational relations. The agendas of democratic legitimacy and human rights protection were internationally politicized, especially by Western countries. Meanwhile, the SPDC's attempts to decrease its isolationist foreign policy and to open up its domestic economy had changed Myanmar's international position, particularly in regional political and economic relations. Both the SPDC and neighbouring countries were worried that Myanmar's domestic insurgencies would be strengthened if the domestic political situation was not calmed down, and that this could lead to a possible destabilization of regional political structure. In addition, even if they remained relatively unimportant problems, the transnational impact of narcotics trafficking as well as emigrants and refugees were recognized by not only neighbouring countries but also by the U.S. and other Western countries. This section firstly examines other governments' responses to these changes in Myanmar, followed by an analysis of the resulting transformation in international structure surrounding the Myanmar problem. This will be done at three levels: the international political level, the international economic level, and the societal and transnational level.

Despite being a superpower, the U.S. had only a minimal interest in Myanmar, especially after the normalization of relations with the PRC, although the maintenance of the power balance in the region remained as a concern (Steinberg, 2001: 241). The broad policy priority of the U.S. after the political turmoil in Myanmar was not international political and economic relations but rather democracy, human rights and narcotics; which Washington primarily pursued by supporting the efforts of Aung San



Suu Kyi and the NLD to take power (Pedersen, 2008: 23-24). After the coup d'état in 1988, the U.S. froze all bilateral economic assistance, banned arms exports and opposed any assistance by international financial organizations. Despite a broad consensus amongst U.S. policy-makers that the SPDC was an illegitimate government, nonetheless, there were certain differences of opinion on how to respond to it: the hard-liners in Congress, such as Senator Mitch McConnell, supported isolation of the military government by a sanctions policy; whereas the administration sought to acquire leverage over it by maintaining direct communication (Pedersen, 2008: 25). A U.S. mission led by Principal Deputy Assistant Secretary for East Asian and Pacific Affairs Thomas C. Hubbard visited Myanmar in late October 1994 to discuss with the SPDC various issues of concern, particularly the narcotics problem (Saito, 1995).

Similar to the U.S., the EU and its member countries emphasised democracy, suspending non-humanitarian assistance to the SPDC as well as opposing any assistance by international financial institutions. Nonetheless, in 1993, after Than Shwe's succession to the chairman position, the EU attempted to conduct a 'critical dialogue' with the SPDC which was intended to link the military government's policy reforms with the EU's political and economic support. This attempt was partly due to signs of the SPDC's policy change and partly due to EU members' commercial interests in Myanmar's economic growth (Pedersen, 2008: 34-35). In fact, the UK, Germany and France were generally hesitant to impose unilateral sanctions on Myanmar.

For both the U.S. and the EU, however, the SPDC's crackdown on the NLD in November 1995 and the subsequent deepening political confrontation between the SPDC and the NLD became a turning point in Myanmar policy. The EU's common position on Myanmar was taken for the first time in October 1996, which banned entry visas for executive military and government officers and their families in addition to confirming the sanctions imposed previously. Yet, at least until 1996, most Western

countries were less serious and harsh in actual policy measures than the ones of the later period, even if they were highly critical of the SPDC due to its lack of democratic legitimacy and poor human rights record.

During this period, ASEAN generally employed a constructive engagement policy toward the SPDC primarily because member countries shared the recognition of a common interest in regional political stability. On the one hand, the peace process in the Indochina Peninsula provided ASEAN with an opportunity to improve regional political stability and pursue further economic development. On the other hand, fear of the PRC's increasing influence in Southeast Asia made ASEAN countries recognize the necessity to balance the PRC's influence over CLMV (Cambodia, Laos, Myanmar and Vietnam) (Ishida, 2008: 209-211). Nonetheless, there was a certain difference of perspectives among ASEAN countries in observing Myanmar's political turmoil. At the political level, Indonesia under Suharto and Malaysia under Mahathir vindicated the SPDC's stance based on the concept of 'Asian values', while the Philippines and Thailand occasionally expressed the significance of democratic values. At the economic level, as they were relatively developed countries within ASEAN, Singapore, Malaysia and Thailand held substantial interests in Myanmar's economic liberalization. As a result, Malaysia and Indonesia were explicitly supportive of the SPDC and the Philippines was generally critical, whereas Singapore and Thailand sought to balance their political and economic interests (Ishida, 2008: 204-209). In deciding Myanmar's accession to ASEAN in 1997, Suharto as the chair country's President was seen to play a critical role in repressing cautious opinions within the ASEAN countries at the First Informal Summit in November 1996 (Ishida, 2008: 209-213).<sup>57</sup>

For the first time since Deng's reform and opening-up policy, the PRC attempted to improve its relationship with Myanmar by reducing its assistance to WFCP

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<sup>57</sup> On the process of Myanmar's accession to ASEAN, see Yamakage (2001).

insurgency activities. When it finally lost support from the PRC, the WFCP separated into four ethnic minority groups in 1989. After that the PRC accelerated political and economic exchanges with the SPDC, including Prime Minister Li Peng's visit to Myanmar in 1994, and maintained a strict non-intervention policy based on the 'Five Principles for Peace' (Bi, 2008: 171). Myanmar was a strategically significant country for the PRC. It was a pathway to the Indian Ocean, at the juncture between China, India and Southeast Asia, a source of natural resources, an export market especially for Yunnan Province, and a field for Chinese companies' business operations. In fact, exports from mainland China to Myanmar expanded from \$134 million in 1988 to \$618 million in 1995; whereas imports, of which timber and jewels were the majority, remained mostly level reaching \$137 million in 1988. Also, it was reported that the PRC concluded armament procurement contracts with Myanmar in 1990 and 1994, the total amount of which came to \$1.6 billion (Saito, 1995). In sum, the PRC quietly constructed a deeper relationship with Myanmar even though it was conscious of the SPDC's persistent scepticism toward Beijing; although the PRC was not alone in relationship building as ASEAN countries also deepened their relationships with the SPDC.

These diverse responses of other governments to Myanmar created a complex international structure. At the international political level, the SPDC's foreign policy direction to gain political and economic support from neighbouring countries whilst taking care to avoid excessive dependence was successful on the whole. In other words, Myanmar's policy changes did not critically shift the regional political balance, even if some ASEAN members were sensitive to the PRC's growing presence in Southeast Asia. On the other hand, the U.S. and other Western countries internationally politicized the problems of Myanmar's democratic legitimacy and human rights situation, strengthening the pressure on the military government and those foreign governments that supported it. Yet, many neighbouring countries, especially those which advocated

‘Asian values’ such as Indonesia and Malaysia, were politically supportive of the SPDC’s efforts for nation-building and development. By emphasising international politics over values, Western governments could gain the moral high ground and credibility for their foreign policy of democracy promotion, whereas Asian governments, especially those political leaders advocating ‘Asian values’, could legitimize and strengthen their political leadership in the region.

At the international economic level, Myanmar’s trade and investment relations with other countries became deeper and more diverse during this period. In East Asia, following the rapid economic growth of NIEs and ASEAN countries, the PRC and Vietnam, which had been propagating communist ideology, also conducted market-based economic reforms which led to economic growth. In the 1980s, this regional trend increasingly attracted foreign capital and companies seeking new business opportunities in these emerging markets. The SPDC’s economic liberalization in the early 1990s coincided with this regional trend of increasing transnational business activity and attracted foreign capital and companies from both Asian and Western countries.

Although both Western and Asian companies planned foreign direct investment (FDI) in Myanmar, the amount of FDI from Western countries tended to be larger per case because many of them supported natural resource development projects. This was in contrast to FDI inflows from Asian countries, which were generally directed at smaller scale projects.<sup>58</sup> In trade relations, Myanmar increased the amount of both imports and exports, particularly with neighbouring countries.<sup>59</sup> Foreign economic

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<sup>58</sup> At the end of October 1995, the top five countries for approved FDI to Myanmar were the UK (\$643.47 million), Singapore (\$548.32 million), France (\$465.00 million), Thailand (\$421.12 million) and the U.S. (\$241.07). Yet, as Asian countries planned a larger number of FDI projects on a smaller scale, the country ranking of approved cases of FDI showed a slightly different order: Singapore (33), Thailand (29), Hong Kong (17), the UK (17) and the U.S. (14) (Kiryu and Nishizawa, 1996: 85-88).

<sup>59</sup> Myanmar’s major import partners in 1997 were Singapore (24.0%), mainland China (19.4%), Thailand (13.8%), Malaysia (12.7%) and Japan (7.2%), which were mostly unchanged from 1990

assistance from DAC countries to Myanmar drastically decreased from \$332.7 million in 1988 to \$89.9 million in 1989. With a share of more than 75% of total foreign aid from DAC countries to Myanmar between 1988 and 1996, Japan's economic assistance during this period was mainly grant aid for debt relief or humanitarian purposes (Seekins, 2007: 62-64). In sum, Myanmar's foreign economic relationships shifted from dependence on Japan's foreign aid under an interventionist economic policy to a deepening of trade and investment relationships with diverse countries under an economic liberalization policy which lasted until the mid-1990s.

Societal and transnational relations also revealed a more complex structure. The military government was arguably the dominant power in Myanmar in terms of material capabilities, even if it did not retain full control over the areas where ethnic minority and other anti-government groups committed insurgency activities. The SPDC's success in making ceasefire agreements with insurgency groups in the mid-1990s, although fragile and not fully guaranteed, contributed to strengthen its power in domestic society. The SPDC had also taken some positive action to solve the narcotics problem and, to a lesser degree, to protect human rights in non-political areas. These actions, nonetheless, did not provoke much response from Western countries primarily because of the SPDC's lack of democratic legitimacy and its poor profile in protecting the human rights of the political opposition.

Despite its claim of democratic legitimacy, the NLD remained a weak organization due to the SPDC's interventions into its activities. The influence of the anti-SPDC camp, hence, rested primarily on the people's support and the capabilities of the Western governments. At the same time, Myanmar emigrants and refugees began to establish political organizations in other countries to conduct lobbying or other activities

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(Kudo, 2006b: Table 2). Myanmar's major export partners in 1997 were India (19.8%), Singapore (14.8%), the U.S. (10.9%), Japan (8.7%), Thailand (7.3%) and mainland China (6.5%) (Kudo, 2006b: Table 1).

in pursuit of Myanmar's democratization. For example, the National Coalition Government of the Union of Burma (NCGUB) headed by Sein Win, Aung San Suu Kyi's cousin, was initially established as a parallel government at the border area on 18 December 1990. It then moved to Washington in 1992 in order to appeal for democratic legitimacy in the U.S. (Pedersen, 2008: 131). Such lobbying activities of transnational diaspora groups appeared to strengthen Western countries' sanctions policies because, given their scarce interests in Myanmar, it became difficult for policy-makers in those countries to publicly oppose arguments advocating sanctions from a moral perspective.

#### *4. Policy-Makers' Perceptions*

During this period, the Japanese government, particularly MOFA, METI and MOF, held largely unchanged perceptions of the Myanmar problem compared to the pre-1988 period in that it was felt that as Myanmar was in the process of nation-building Japan should encourage Myanmar's political leaders' efforts for political and economic development. As Myanmar had gradually lost its strategic significance in international politics due to the collapse of the Cold War structure in East Asia, Japanese policy-makers emphasized somewhat different objectives in their Myanmar policy. These included historical bilateral friendship, Myanmar's economic potential and geopolitical importance in the region, the securing of Myanmar's debt repayment and the furtherance of Japan's international contribution in East Asia.

MOFA was the main initiator of Japan's Myanmar policy-making during this period. From MOFA's viewpoint, the East Asian political structure was not a rigid bipolar system but rather a fragmented power configuration which had existed even before the end of the Cold War. Moreover, MOFA considered that the risks for regional political stability were not only in inter-governmental relationships but also in the

domestic problems of each country. According to a document of the task force for U.S. administrative change in 1989 within the AAB of MOFA, which discussed Japan's policy toward Asia and the Japan-U.S. relationship, the confrontation between the two military blocs in the Asia-Pacific region was not as clear as that in Europe; the perception of what constituted a 'threat' to each country's stability was not uniform, and included external threats and those internal to Asia such as economic and ethnic problems and the problem of democratic power transfer (MOFA, 6 October 1989). In other words, even during the Cold War era, MOFA perceived that most of the conflicts in East Asia were rooted in economic and social instability in the process of nation-building rather than as a result of the ideological confrontation between Eastern and Western blocs. This document further argued that it was necessary to listen patiently to Asian countries' claims so as not to ignore Asian nationalism and national pride, and it warned that high-handed approaches did not fit into Asian culture (MOFA, 6 October 1989). From this perspective, coercive political interventions by the major powers, including those by the U.S., were problematic as they could disturb political leaders' efforts for nation-building and development.

At the same time, MOFA did not necessarily perceive any clear and constant international constraints in deciding its Myanmar policy during this period. Whilst the U.S. appeared to pressure the Japanese government not to provide ODA to the Myanmar military government after the '8888 Uprising', some Japanese policy-makers presumably anticipated less serious and sustained pressure from the U.S. due to its lack of substantial interest in Myanmar, although they might have expected some official criticism. This was especially the case on 17 February 1989 when the Japanese government recognized the SPDC, believing that it could avoid a critical conflict with the U.S. as it was the period of the U.S. presidential inauguration. In addition, when a U.S. mission led by Hubbard visited Myanmar in October 1994, many Japanese policy-makers expected the U.S. to shift to a more moderate policy line. This

expectation led to Japan's own minor policy shift in 1995, though this was short-lived because U.S. pressure on Japan's engagement policy increasingly strengthened due to the worsening relationship between the SPDC and the NLD from late 1995. Besides, MOFA did not perceive any urgent security threat or substantial political interest for Japan in deciding its Myanmar policy. Rather, MOFA recognized the international significance of Myanmar in broader terms in that Myanmar's stability would benefit the whole Western bloc as it is located at the juncture of the influential spheres of the USSR, the PRC and Vietnam (MOFA, 6 October 1989).

Meanwhile, MOFA increasingly perceived the politicization of the Myanmar problem in multilateral forums as a controversial issue concerning the value placed on democracy and human rights in the West and Asia. Since it had become one of the most important agenda items in the ASEAN-PMC of 1992 (MOFA, 26 July 1992), the Myanmar problem had been recognized by MOFA as an issue on which Western and Asian countries held conflicting views. In observing the ASEAN-PMC in July 1993, the AAB of MOFA concluded that it was a deep-rooted conflict of opinion stemming from differences in conceptions of human rights, geographical proximity, religion and so on (MOFA, 30 July 1993). Based on this perception, MOFA recognized the necessity for Japan to support Myanmar in multilateral forums in order to involve Myanmar in international society's norms in a friendly manner, whilst at the same time encouraging Myanmar to promote political dialogue toward democratization among all domestic political actors.

Concerning the Myanmar problem itself, MOFA essentially perceived Myanmar's domestic turmoil in 1988 as a problem in the process of postcolonial nation-building and development which many Southeast Asian countries had experienced. Whilst it recognized the possibility of regional political instability if Myanmar became domestically unstable, MOFA's emphasis was more on how to



support and promote the process of nation-building and development in Myanmar. The document of the task force for U.S. administrative change mentioned above noted that, whereas it was desirable in the mid- to long-term that Myanmar shift to a more democratic and open regime in order to settle the current political instability stemming from its economic difficulties, Myanmar could possibly experience an incremental process of transition. Therefore, it was necessary to deal with Myanmar calmly by leaving the solution to the general opinion of the people in Myanmar and at the same time ensure that Myanmar would undergo economic reform, open-up in the mid- to long-term, and take a pro-Western foreign policy line (MOFA, 6 October 1989). In essence, by taking a statist conception of the international system with the principle of non-intervention, MOFA placed its policy priority on Myanmar's political stability, economic liberalization and a pro-Western position.

Whilst not neglecting the significance of democratic legitimacy and human rights, MOFA considered democratization as a gradual process with twists and turns rather than one of revolutionary change. In fact, MOFA and other Japanese policy-makers were generally sympathetic to the '8888 Uprising' and were critical of the military government's brutal response to it. For example, Fujita Masahiro, a First Secretary at the Japanese embassy in Myanmar dispatched by METI, posed the question as to whether it was necessary for the military government to shoot at civilian demonstrators at the time of the '8888 Uprising' (Fujita, 1989: 329). Japanese Ambassador Otaka was also highly critical of the military junta's brutal response to unarmed demonstrators and joined the Western ambassadors' boycott of Myanmar's Independence Day celebrations on 4 January 1989. It was also almost certain that Japanese policy-makers considered it essential that the SPDC carry out a free and fair general election and subsequently transfer power to a new civilian government at the earliest possible timing.

Yet, MOFA at the same time held a realistic perspective of Myanmar's domestic situation. As the military held dominant material capabilities and the NLD was a weak organization without enough experience of politics and public administration, MOFA considered that it was necessary for Aung San Suu Kyi and the NLD to reconcile and cooperate with the military government in some way. Hence, MOFA became also critical of Aung San Suu Kyi's highly confrontational stance toward the military government before the 1990 general election. According to a paper of the First Southeast Asia Division of MOFA written on 22 August 1989, while there seemed to be not enough situational evidence to suspect the intention of the military government for power transfer, Aung San Suu Kyi's confrontational attitude heightened the political tension, resulting in her house arrest (MOFA, 22 August 1989). This paper even mentioned that it was difficult to understand why Aung San Suu Kyi was so confrontational in spite of the strong prospect that she could get enough votes in the general election to form a new government for democratization. Ambassador Otaka also noted that Aung San Suu Kyi behaved in an excessively confrontational and aggressive way, while the SPDC's disqualification of Aung San Suu Kyi as a candidate was also problematic because it undercut the meaning of the general election (MOFA, 21 July 1989). MOFA's policy priority, therefore, was the encouragement of power transfer to a civilian government based on political reconciliation between the military government and the NLD. In other words, MOFA considered that democratic legitimacy as a policy objective was something to be judged on a case-by-case basis and was to be pursued by a gradualist and encouraging approach rather than a high-handed interventionist and sanctions based approach.<sup>60</sup>

METI's overall policy interest was more in international economic relations. From the mid-1980s, Japanese companies' investment and business operations in

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<sup>60</sup> In his book on Myanmar at the time of the '8888 Uprising', First Secretary at the Japanese Embassy in Myanmar Fujita also mentioned the debate on whether aid donors should take the value of democracy and human rights into account when providing ODA, concluding that it should be judged on a case-by-case basis (Fujita, 1989: 187-189).

Southeast Asian countries had been increasingly enhanced in response to the yen appreciation and Japan-U.S. trade friction. This transformed the characteristics of the economic relationship between Japan and Southeast Asia from one of economic assistance and trade to a broader economic interdependence including investment, local production and other business activities. Accordingly, when Indochina countries also moved in the direction of economic liberalization and development, METI attempted to promote region-wide economic growth by enhancing inter-governmental cooperation and private investment and business operations among Japan and ASEAN and Indochina countries.

At the ASEAN Economic Ministerial Meeting with the Minister for International Trade and Industry of Japan (AEM-MITI) in September 1994, Japan took a leading role in establishing the Indochina Working Group, which later became the CLM (Cambodia, Laos and Myanmar) Working Group (CLM-WG) in accordance with Vietnam's accession to ASEAN. This met for the first time in March 1995, when the CLM-WG aimed at forming a regional framework to promote industrial cooperation rather than arguing for specific project formulations. More specifically, the main purposes of this working group were the promotion of private investment in the region, the formation of an industrial cooperation framework, the enhancement of coordination with the private business sector, and the strengthening of economic ties between ASEAN and Indochina countries in order to promote Indochina's economic development (Otsuji, 2001: 326-328). From this perspective, it was desirable for METI that Myanmar carry out an economic liberalization policy, and thereby be integrated into the regional trend of economic development through cross-border investment and business operations. In doing so, ODA was not just the only policy measure to promote and facilitate business activities in the region.

METI had recognized Myanmar's economic potential even under the Ne Win

regime, which could only be materialized by carrying out economic reforms. As such, METI's interest in a bilateral relationship was in the encouragement of Myanmar's economic liberalization and the promotion of cross-border economic interactions. In more practical terms, METI's role during this period was largely to promote and facilitate business sector activities.<sup>61</sup> METI was also in charge of the completion of several yen loan projects agreed before 1988, including the maintenance of the electricity grid in Yangon and the repair of the Baluchaung hydro power plant. These projects alone did not have much impact on Myanmar's business environment or the Japanese business sector at the macro level even if they did improve the bilateral political relationship and were in the interests of Japanese companies committing to the projects. Also, as Myanmar's foreign economic relations were relatively balanced during this period due to deepening trade and investment relationships with ASEAN countries, the PRC and India as well as foreign investment from the U.S. and European countries, METI did not recognize any urgent or vital interest in Myanmar's inter-governmental political economy. METI thus primarily aimed at promoting and facilitating business-level activities in accordance with Myanmar's move toward economic liberalization.

MOF recognized that Myanmar could default which was a risk for the credibility and continuity of Japan's foreign aid policy. While some other recipient countries had defaulted and their yen loan disbursement was suspended by Tokyo before then, Myanmar was a more serious risk for Japan's ODA policy due to its far larger debt to Japan than other defaulting countries. Hence, MOF resisted committing to further ODA projects when Myanmar delayed its debt repayment in 1987 whilst at the same time it started to disburse debt relief grants from October 1987. In fact, it was reported that MOF and Finance Minister Miyazawa Kiichi considered that it was urgently necessary for the military government to improve their economic management

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<sup>61</sup> This includes the restart of trade insurance and the setting up of a JETRO office in Yangon.

(Holloway, 1988: 11). As such, the political turmoil in 1988 became another problem for MOF because it was likely to disrupt Myanmar's financial policy (Orr, 1990: 84). After the SPDC seized power, therefore, MOF's primary objective was to ensure Myanmar could repay its debts and avoid defaulting even if this was in the form of debt relief grants. MOF was even against continuing with existing yen loan projects unless their completion could be guaranteed. These projects included the expansion of Yangon Airport and the Baluchaung hydro power plant (Orr, 1990: 84).

Japan's responses to the Myanmar problem during this period were principally based on these three ministries' perceptions. Whilst there were some cabinet members who were interested in Myanmar, their role in policy-making and implementation was limited. This was not only because of frequent administrative changes during this period but also due to the broad consensus on continuing low-key 'quiet diplomacy'. For example, one of the most powerful pro-Myanmar politicians, Watanabe Michio, while serving as Deputy Prime Minister and Minister for Foreign Affairs from November 1991 to April 1993 could do no more than send two letters to Myanmar's Foreign Minister encouraging a transfer of power. He did not go against MOFA's position of suspending new yen loans but was more worried that the SPDC would not transfer power and would continue to be criticized by international society.

At the international political level, the three ministries did not perceive critical structural pressures on Japan's Myanmar policy during this period due to weakening political tensions in East Asia. While the sanctions policy of the U.S. and other Western governments was certainly a concern for the Japanese government, it did not become a decisive constraining factor in the conduct of Japan's nuanced engagement policy. It was certain that MOFA recognized Myanmar's significance for regional political stability, but it was not decisive enough to shape the direction of Japan's Myanmar policy. In sum, international political structure gave Japan certain room for deciding its

Myanmar policy during this period and the Japanese government could basically pursue its pragmatic objectives within such room even if it sometimes perceived the necessity to make some adjustments, particularly in its relationship with the U.S.

In international economic relations, Japan's recognition of the SPDC and resumption of debt relief grants enabled the Japanese government to maintain the credibility and continuity of its ODA policy. Besides, Japan's resumption of on-going ODA projects certainly reduced the losses for Japanese companies working on ODA projects that a suspension of ODA funds would bring. Japan's policy, however, did not provide any substantial business opportunities in the early 1990s for Japanese companies which attempted to enter the Myanmar market without falling behind other countries' competing companies. The Japanese government's efforts were directed to promote and facilitate cross-border business activities by policy measures other than through ODA. Yet, Japan's policy as a whole did not create business opportunities for Japanese companies by improving the business environment in Myanmar; for example, by constructing basic infrastructure which was recognized as one of the biggest problems when starting up business operations in Myanmar. In sum, Japan's Myanmar policy was consistent with the Japanese government's concern for the credibility and continuity of its ODA policy as well as losses to Japanese companies, even though it did not proactively pursue Japan's economic interests in Myanmar as an emerging market.

Japan's behaviour during this period was more consistent with Japan's perceptions of the Myanmar problem at a societal level. Japan was consistently cautious not to be seen by the military government as a foreign power intervening in Myanmar when it encouraged economic reforms or the early transfer of power. This presumably stemmed from a realistic assessment of Myanmar's domestic distribution of power and the gradualist and state developmental perspective of the Japanese government. It is almost certain that the Japanese government linked this perception at a societal and

transnational level with its own setting of national interests at other levels. Yet, Japan's engagement was mostly in line with its preference to support and encourage Myanmar's domestic political and economic development in a gradual manner. In other words, Japan's behaviour during this period indicates that the Japanese government primarily observed the Myanmar problem from the perspective of a local power balance at the societal and transnational level, and at the same time it paid attention to the international economic and political level in calculating the costs and benefits of its policy.

### *5. Resource Mobilization*

The political turmoil in Myanmar from 1988 to 1990 revealed the military government's lack of democratic legitimacy and its infringement of human rights. This series of events formed different political groups amongst Japan's politicians and domestic society concerning the Myanmar problem. Yet, despite the increase of critical voices against the government's Myanmar policy, the Japanese government could retain enough domestic support to continue its low-key friendship engagement policy. On the one hand, it was difficult even for traditionally pro-Myanmar politicians to explicitly advocate and legitimize full engagement in light of the SPDC's neglect of the results of the 1990 general election. Also, although companies with on-going ODA projects lobbied for the completion of those projects, the Japanese business sector as a whole did not have very many existing interests in Myanmar. In other words, while having eagerly surveyed business possibilities during this period, the economic interests of the Japanese business sector in Myanmar remained as future opportunities that should be assessed in the light of economic rationality, including considerations of risk to each company's international reputation.

On the other hand, a number of gradually emerging political groups supporting

Aung San Suu Kyi and the democratization of Myanmar were in a weaker position in the domestic policy-making system. The emergence of the Diet Members' League for the Release of Aung San Suu Kyi in response to the appeals of Myanmar immigrants and their supporters certainly increased the domestic cost of the government's engagement policy. Also, domestic media reports on Myanmar ODA scandals and on Myanmar's political turmoil conveyed the image of an evil military oppression of Aung San Suu Kyi and created suspicion in the public of Japan's policy toward Myanmar. The Japanese government, nonetheless, did not appear to be substantially influenced by these domestic trends or it could be seen as minimizing domestic political controversy by continuing its 'quiet diplomacy' in coordination with mainstream domestic groups. These were supportive of the engagement policy on the grounds of the bilateral historical relationship, Myanmar's strategic and economic significance, and Japan's international role in East Asia.

### *(1) The Diet and Politicians*

In the Diet, some critical questions against the government's policy toward Myanmar were raised by SDPJ members after the '8888 Uprising'. These concerned not only Japan's responses to Myanmar's political turmoil including Japan's recognition of the government in February 1989, but also media reports on the failure of ODA policy in bringing about Myanmar's economic development as well as the suspicion of Myanmar's diversion of ODA funds for military use.<sup>62</sup> From the early 1990s, politicians from the SDPJ and various other parties asked questions about Myanmar to the government,<sup>63</sup> although those debates in the Diet had only a minimal influence on

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<sup>62</sup> For example, Kubota Manae's questions at the Cabinet Committee in the House of Councilors on 11 October 1988 and at the Foreign Affairs Committee in the House of Councilors on 17 April 1990, Yatabe Osamu's questions at the Foreign Affairs Committee in the House of Councilors on 28 March 1989 and on 20 June 1989, and Shiga Kazuo's questions at the Cabinet Committee in the House of Representatives on 27 March 1990 and on 29 May 1990.

<sup>63</sup> For example, *Kōmeitō* member Azuma Shozo's questions at the Foreign Affairs Committee in the House of Representatives on 21 May 1993 and on 7 February 1995, LDP member Kato Koichi's questions at the Foreign Affairs Committee in the House of Representatives on 10 November 1993



the government's policy-making they were of concern to bureaucrats. In terms of political parties, the LDP remained generally supportive of governmental policy during this period. Since the collapse of the 1955 system, the LDP needed to form a coalition administration in order to be the ruling party. Especially during the period of the LDP-SDPJ-NPS coalition administration, both the SDPJ and the NPS, which were led by Takemura Masayoshi and Hatoyama Yukio, tended to be critical of the government's engagement policy (Sugishita, 1999: 406-407).<sup>64</sup> In the end, however, such party level dynamics presumably had little substantial effect on the government's policy direction. Instead, a more significant impact of such party dynamics was in the form of frequent changes in cabinet members, which made it more difficult for the Japanese government to take more decisive action toward the Myanmar problem.

Traditional pro-Myanmar politicians, who in many cases were members of the JMPFL, were generally sympathetic to the military government, and presumably played a certain role in the Japan-Myanmar relationship during this period. According to one report, Abe Shintaro and Watanabe Michio, who were members of the JMPFL and had a close relationship with war veterans' associations, became a source of pressure for the Japanese government in deciding to recognise Myanmar's government in February 1989 (Holloway, 1989: 21). The SPDC's refusal to accept the result of the 1990 general election, however, was apparently unexpected even for these politicians and placed them in a difficult position. Watanabe visited Myanmar on 30 August 1990 to meet Saw Maung, advocating the early transfer of power and the release of Aung San Suu Kyi (Seekins, 2007: 103). The JMPFL itself underwent a transformation. It had been a

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and at the Budget Committee on 27 January 1995, New Frontier Party (NFP) member Eda Satsuki's question at the second section meeting of the Budget Committee in the House of Representatives on 21 February 1995, NPS member Mizuno Seiichi's question at the Audit Committee in the House of Councilors on 5 December 1995, and DPJ member Fujita Yukihiisa's question at the Foreign Affairs Committee in the House of Representatives on 5 December 1996. The NFP in particular asked questions frequently in the mid-1990s.

<sup>64</sup> SDPJ member Hosaka Nobuto stated that he debated the resumption of ODA disbursement for the Yangon airport project with the LDP during the period of the LDP-SDPJ-NPS coalition government. See Hosaka's question at the second section meeting of the Audit and Administration Oversight Committee in the House of Representatives on 20 April 2000.

platform for pro-Myanmar politicians, including influential LDP members, before the early 1990s but it increasingly became a group for non-LDP politicians because of the realignment of political parties and the retirement of senior politicians in the early 1990s.<sup>65</sup>

In the mid-1990s, there was a move by a number of LDP politicians to form a political group to promote economic engagement with Myanmar and to distance itself from the JMPFL. Kato Koichi, an influential center-left LDP politician, became interested in the Myanmar problem from the perspective of initiating Japan's original policy for the promotion of democratization and development in Asia.<sup>66</sup> The grandson of Kishi Nobusuke, Abe Shinzo visited Myanmar in 1983 as a secretariat to his father Abe Shintaro, who was Minister for Foreign Affairs at that time. Abe Shinzo became a sympathetic supporter of Myanmar and initiated a visit of younger LDP members, including Shiozaki Yasuhisa and Ishihara Nobuteru, to Myanmar in the mid-1990s. Subsequently, the *Kochikai* faction which included Kato and Koga Makoto, who had a close relationship with a war veterans' association, as well as younger LDP members who had visited Myanmar established another Diet members' league named the JMPEPL.

In contrast, some influential LDP politicians became critical of the SPDC and formed a bipartisan group of politicians in support of Aung San Suu Kyi. The Diet Members' League for the Release of Aung San Suu Kyi was organized in October 1994

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<sup>65</sup> For example, Chairman Ozawa Tatsuo left the LDP to establish the Shinseitō Party with Ozawa Ichiro, Hata Tsutomu and others in June 1993, whereas both Abe Shintaro and Watanabe Michio had left the political arena well before the mid-1990s.

<sup>66</sup> Kato Koichi regarded the Myanmar problem as one of democratization and human rights issues in Asia including Russia's domestic turmoil and China's Tiananmen Square incident. Yet recognizing its low importance in political and economic terms in the international arena, Kato considered that the Myanmar problem should be dealt with as a significant agenda item in Japan's Asian policy in the post-Cambodia era. By advocating the concept of a 'soft democratic path,' Kato argued Japan should encourage the SPDC's efforts for democratization in a gradual and step-by-step manner (see Kato's question at the Foreign Affairs Committee in the House of Representatives on 10 November 1993).

in response to an appeal by the Burmese Association in Japan (BAIJ) and other Myanmar residents in Japan. In accordance with the release of Aung San Suu Kyi in July 1995, it was reorganized into the DMLSDM, which consisted of nearly 100 Diet members at this time (Tanabe, 1996: 156). This Diet members' league was a bipartisan group and included members from most of the major political parties; it was initiated by a powerful LDP member Koshugi Takashi as well as opposition party leaders such as Doi Takako in the SDPJ, Hatoyama in the NPS, and Okuda Keiwa in the Japan Renewal Party (YS, 16 October 1994). Despite their critical voices against the SPDC, the members of this group did not necessarily advocate a sanctions policy. Hatoyama, the secretary general of the DMLSDM at that time, reported that employing economic assistance rather than sanctions as the main policy tool made sense for Japan which retained no offensive military force (AS, 12 July 1996).

## *(2) Business Sector*

There were two reactions within the Japanese business sector to Myanmar's changing situation. One was related to Japan's remaining ODA projects which had already been agreed before 1988 but were not yet completed. As those ODA projects were suspended due to the worsening situation in Myanmar since the '8888 Uprising' and were not resumed until February 1989, Japanese companies involved in such projects began to worry about the waste of their previous investment (AS, 28 December 1989). On 25 January 1989, the JBA sent a petition with the names of 12 companies to MOFA, urging the Japanese government to recognize the SPDC and resume ODA provision (Mainichi Shimbun Shakaibu ODA Shuzaihan, 1990: 23-25; AS, 16 March 1989). Although the Japanese government decided to provide ODA for on-going yen loan projects on a case-by-case basis after recognizing the military government on 17 February 1989, some major remaining yen loan projects, including the Yangon Airport expansion project and the Baluchaung hydro power plant project, were suspended.

Therefore, the related companies continued to ask not only the Japanese government and politicians but also the Myanmar government to carry out these yen loan projects.

The second reaction was related to new business opportunities created by the SPDC's economic reforms in the early 1990s. Having been largely restricted in their private business operations by the Ne Win regime, a number of Japanese companies in various sectors started to survey the feasibility of doing business in Myanmar in response to the SPDC's economic liberalization. While infrastructure building and natural resource development were considered as having the most potential, other sectors such as finance, manufacturing, tourism and real estate were also interested in Myanmar as an emerging market. In June 1994, the *Keidanren* sent an economic survey mission to Myanmar and Bangladesh led by Marubeni Chairman Haruna Kazuo, followed by the setting up of the Myanmar Study Group chaired by Haruna in February 1995 (Keidanren, 1995c). On 15 December 1995, this study group issued a policy recommendation from a business perspective to both the Japanese and Myanmar governments (Keidanren, 1995a).<sup>67</sup> The JCCI also strengthened its relationship with the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), leading to the establishment of the Japan-Myanmar Chamber of Commerce and Industry Business Cooperation Committee (JMCCIBCC) in March 1998 (Tokyo Chamber of Commerce and Industry, unknown).

Some Japanese business leaders at this time, including the Executive Director of Itochu Corp., Takahara Tomoo, who served as the chair of the JMCCIBC, were war veterans sent to Myanmar during the Second World War and, thus, had a kind of emotional attachment to Myanmar.<sup>68</sup> It is doubtful, however, that such emotional

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<sup>67</sup> This policy recommendation was conveyed not only to the Japanese government but also to the Myanmar government at the Myanmar Economy Symposium co-organized by the Economic and Social Commission for Asia and the Pacific (ESCAP) of the UN and the Japanese government on 29 January 1996 (Keidanren, 1996a).

<sup>68</sup> See the MEMI website on Takahara's relationship with Myanmar available at <http://www.memi.gr.jp/essay/index.html> (accessed 6 February 2010).

factors had a substantial influence on the actual investment and business activities of private Japanese companies. In fact, Japanese companies were so cautious in the business feasibility survey that Myanmar's government officers and businesspeople described Japanese companies as 'NATO'; an abbreviation for 'No Action Talking Only' (Kato, 1995: 201-203). In short, whereas the Japanese business sector attempted to strengthen personal and business relationships with Myanmar in response to the SPDC's economic liberalization such moves were mostly aimed at finding new business opportunities from the viewpoint of economic rationality, even if some business leaders' behaviours were partly motivated by a personal attachment to Myanmar.<sup>69</sup> The Japanese business sector was generally supportive of the government's engagement policy and wished to provide new yen loan provision primarily for the purpose of getting new business in addition to the implementation of remaining yen loan projects (Keidanren, 1996b).<sup>70</sup>

### (3) NGOs

Some NGOs promoting Japan-Myanmar bilateral friendship asked the military government to take more moderate measures against public protests at the time of the '8888 Uprising'. For example, two emissaries of the Burma Economic Development Forum, a group of Japanese businesspeople and academics chaired by LDP politician Hayashi Yoshiro,<sup>71</sup> reportedly met with Aung Gyi in January 1988 and urged economic

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<sup>69</sup> As examples of actual business activities, Daiwa Securities agreed with the SPDC on assisting to set up the first stock exchange in Myanmar in late 1994, Mitsui and Co., Ltd. agreed to build the Mingaladon Industrial Park near Yangon airport in February 1996, and All Nippon Airways opened direct flights between Kansai International Airport in Osaka and Yangon in July 1996. Also, Mitsui and Co., Ltd. joined the so-called 'three-in-one project' to construct a pipeline and other facilities related to the off-shore Yadana Natural Gas Field with Unocal and Total, which concluded a memorandum of understanding in April 1996, and Nippon Oil joined the project to develop the off-shore Yetagun Natural Gas Field with Premier Oil, the Petroleum Authority of Thailand, Petronas, and the Myanmar Oil and Gas Enterprise (MOGE). See Seekins (2007: 119).

<sup>70</sup> For a Japanese business perspective on Myanmar at this period, see Kato (1995), which was written by an official of Marubeni Corp.

<sup>71</sup> Having served as Minister for Finance from December 1992 to August 1993, Hayashi later became chairman of the DMLSDM.

reform (Holloway, 1988). On the other hand, war veterans' associations were supportive of the Japanese government's recognition of the SPDC. This may have been in order to continue their annual trip to Myanmar for the consolation of spirits (Holloway, 1989: 21). In general, traditional pro-Myanmar NGOs supported the SPDC and Japan's engagement with it, though many of them were also concerned about Myanmar's domestic situation and wished to recover political stability.

As in many Western countries, non-governmental movements by Myanmar residents and their Japanese supporters began to be organized in Japan. Some residents had been in Japan before the '8888 Uprising' and others had escaped from Myanmar due to their support for the NLD or their commitment to the '8888 Uprising. The BAIJ, established in September 1988 by 150 members, was the first such political organization in accordance with the '8888 Uprising' (Nemoto, 2007: 106). Such movements pushed the Japanese government to recognize the status of Myanmar immigrants as refugees and to support Aung San Suu Kyi and the NLD by not providing economic assistance to the SPDC. Actually, the BAIJ and other Myanmar residents directly appealed to politicians who subsequently formed the Diet Members' League for the Release of Aung San Suu Kyi (Tanabe, 1996: 156). Those movements and organizations generally remained small and fragmented in Japan and did not substantially influence Japanese governmental policy toward Myanmar. Some humanitarian NGOs also began to operate in Myanmar during this period but remained relatively small in scale.

#### *(4) Media and Public Opinion*

During this phase, there were two periods when the Myanmar problem received a large amount of coverage in the Japanese media: from 1988 to 1990 and in the mid-1990s. From 1988 to 1990, in combination with the failure of Japan's massive economic assistance to develop the Myanmar economy (MS, 11 June 1989) and the

suspected diversion of ODA funds for military use (AS, 22 May 1989), Myanmar's political turmoil fuelled the debate as to whether Japan should assist authoritarian regimes who infringed human rights. In their editorial comments, the *Asahi* and *Mainichi* newspapers were critical of the Japanese government's engagement policy toward the SPDC from the perspective of promoting Myanmar's democratization and development (MS, 16 November 1990; AS, 20 February 1989). In 1990, the *Mainichi* also published a book on Japan's ODA, using Myanmar as one of the case studies. The book argued that Japan's ODA disbursement to Myanmar failed to assist industrialization, was of limited benefit to the general public, was questionable in the rationale of the resumption of ODA in February 1989, and was suspected of being used for military purposes (Mainichi Shimbun Shakaibu ODA Shuzaihan, 1990: 8-36).<sup>72</sup> Also, two Japanese TV stations, NHK and TBS broadcast programmes to introduce Aung San Suu Kyi as a pro-democracy leader (Seekins, 2007: 109-110).

In the mid-1990s, there were contrasting views among the Japanese media regarding Japan's role in the Myanmar problem. By recognizing the release of Aung San Suu Kyi in July 1995 as a successful result of Japan's engagement, the *Yomiuri* newspaper proposed the maintenance of Japan's original way of assistance for democracy and human rights promotion from a long-term perspective (YS, 15 July 1995). On the other hand, the *Mainichi* argued in May 1996 that Japan's 'sunshine policy' to promote democratization through direct communications with the military government was at a turning point because of the authority's detention of a number of NLD members (MS, 24 May 1996). In general, the *Yomiuri* and *Sankei* tended to emphasize Myanmar's geopolitical significance and the necessary evil aspect of the authoritarian regime in the process of economic development and democratization. Public opinion as a whole seemed to pay little attention to the Myanmar problem even if

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<sup>72</sup> The *Nikkei* also produced a special issue covering the ODA problem including Japan's ODA to Myanmar, pointing out the inevitability of considering ODA's political influence but not taking a clear stance on Myanmar ODA (NS, 30 September 1988).

it was generally sympathetic to Aung San Suu Kyi and the pro-democracy movement.

## *6. Domestic Policy-Making System*

During this period, Japan's policy-making was dominated by MOFA-initiated low levels of coordination among concerned bureaucrats and politicians. Ministerial level cabinet members neither visited Myanmar to contact the military government nor exercised any distinctive leadership in policy-making. This resulted in Japan's Myanmar policy being a compromise among different interests and concerns held by influential policy-making actors, though it was basically consistent with the Japanese government's shared perception of the Myanmar problem. Even when giving governmental recognition to the SPDC, the Japanese government made an opportunistic compromise to fill the gap between its default plan to resume ODA in response to Myanmar's transfer of power in accordance with the results of a general election in early 1989 and the SPDC's plan to hold a general election in May 1990, rather than making a strategic decision from the perspective of international political considerations. This also meant that the Japanese government preferred not to politicize the Myanmar problem and conducted low-key 'quiet diplomacy' in order not to be trapped into international political games. As a result, Japan's policy toward Myanmar during this period was largely a reactive and risk-averse one.

In response to Myanmar's accumulated debt problem different opinions emerged within the Japanese government even before 1988. This debate was linked with LLDC accumulated debt problems, which became one of the main agenda items at the G7 summit and other multilateral forums. At the Toronto Summit, Prime Minister Takeshita announced that approximately 680 billion yen would be made available for Japan's LLDC debt relief plan, of which approximately 300 billion yen was for



Myanmar (CS, 21 June 1988). The Japanese government had already hesitated to issue an exchange of notes for new yen loan projects when Myanmar's arrears in debt repayment became apparent in 1986, and postponed the exchange of notes for FY1986 yen loan projects until September 1987. The Japanese government suspended the exchange of notes for any new yen loan projects from FY1987 and suspended yen loan disbursement in February 1988 due to the delay in Myanmar's debt repayment. Despite the Japanese government's recommendation, the military government continued to refuse to consult with the Paris Club and was unwilling to carry out an economic restructuring program formulated by the International Monetary Fund (IMF) in return for the rescheduling of loans (AS, 28 September 1988b).

Even if the Ne Win regime delayed debt repayments, MOFA was reportedly planning to provide further yen loans to Myanmar, which finally accepted LLDC status in December 1987 (CS, 11 April 1988). In view of Japan's fiscal policy, MOF had been cautious about extending further yen loans to Myanmar while at the same time it recognized the necessity of ensuring Myanmar's debt repayments. When Myanmar's Deputy Prime Minister Tun Tin visited Tokyo, Finance Minister Miyazawa seemed to put more emphasis on encouraging Tun Tin to plan and implement economic reforms (Holloway, 1988).<sup>73</sup> Prime Minister Takeshita and Foreign Minister Uno did not pledge any new yen loans but mentioned their willingness to consider it (NS, 26 April 1988; AS, 22 April 1988). This gap in the direction of ODA policy toward Myanmar between MOF and MOFA seemed to continue even after the '8888 Uprising' and subsequent political turmoil in Myanmar.

The Japanese government's suspension of ODA disbursement at the time of the '8888 Uprising' was primarily because of practical difficulties in continuing ODA

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<sup>73</sup> According to Steinberg, Tokyo made an 'unprecedented' warning in March 1988, mentioning the possibility of cutting its foreign aid if Yangon did not carry out economic reforms, which "led Ne Win in the last days of the BSPP to advocate the abandonment of socialism and the opening to the private sector" (Steinberg, 2001: 256).

projects under Myanmar's unstable situation rather than for any political or moral reasons. According to an executive official of MOFA, this was because of Japan's consideration that foreign intervention should be avoided (AS, 9 September 1988). In fact, the Japanese government expressed its willingness to provide emergency aid through international organizations if the authorities in Myanmar were ready to accept it (AS, 9 September 1988). In other words, Tokyo initially considered the suspension of ODA as a tentative measure until the Myanmar authority recovered social order and stability, and it issued official statements notifying that economic assistance would not be resumed without an improvement in political and economic conditions (Seekins, 2007: 94).

Although the establishment of the SPDC posed the issue of governmental recognition to the Japanese government, Japanese policy-makers generally considered that governmental recognition and ODA resumption were a matter of timing. This was primarily because it was broadly presumed that the SPDC was going to hold a general election in April 1989, though the SPDC did not confirm the schedule until February 1989 (Fujita, 1989: 349-351). Actually, it was already reported in October 1988 that the Japanese government recognised the SPDC as the only authority which could restore order in Myanmar, and it considered that governmental recognition and ODA resumption were a matter of timing which should be judged by the restoration of social order and the implementation of a general election (AS, 25 October 1988; NS, 11 October 1988). In late December 1988, according to one report, the Japanese embassy in Myanmar mentioned that the stance to grant governmental recognition after the establishment of a new administration based on the results of a democratic election was unchanged (AS, 28 December 1988). Moreover, at a Cabinet meeting on 13 January 1989, acting Minister for Foreign Affairs Obuchi Keizo reported the cancellation of 927 million yen of grant aid agreed in July 1988 with Myanmar as FY1988 aid projects (NS, 13 January 1989). This could indicate that the Japanese government was not rushing to

disburse new grant aid, at least in the short-term, at this time.

The Japanese embassy in Myanmar, in response to the worsening situation, took diplomatic action to pressure the SPDC to restrain from brutal behaviour against civilians in anti-government demonstrations. On 27 September 1988, Japanese Ambassador Otaka Hiroshi, the husband of the JBA Chairperson, and an upper house member Yamaguchi Yoshiko met with Ohn Gyaw, a senior officer in the Myanmar Ministry of Foreign Affairs and proposed that Myanmar should avoid further bloodshed and find a peaceful and democratic political solution that reflected the general will of the people (Seekins, 2007: 94-95; AS, 28 September 1988a). In addition, on 4 January 1989, Ambassador Otaka boycotted the Independence Day celebrations of the SPDC in line with the ambassadors of Western countries.

The Japanese government, however, was faced with a problem when the SPDC finally announced its plan in February 1989 to hold a general election in May 1990.<sup>74</sup> It had already become unrealistic to hold an election in May of 1989.<sup>75</sup> For those prioritizing Japan's encouragement of an early transfer of power in Myanmar, it was desirable to recognize the Myanmar government after the general election in order to encourage the military government to transfer power to a new civilian government. The Japanese embassy in Myanmar was not optimistic about whether the SPDC would actually conduct a free and fair election and whether it would transfer power even if an anti-government faction were to win the election. On 4 October 1988, Ambassador Otaka wrote that one of the primary purposes of the military junta was to ensure the safety of the Ne Win group and, hence, it remained uncertain whether the military

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<sup>74</sup> Some Japanese policy-makers seemed to be highly concerned with the schedule of the general election. According to one report, an unofficial mission including a METI official visited Yangon in early February 1989 without giving notice to the Japanese embassy in Myanmar. On 10 February, at a meeting with the members, Ohn Gyaw said that the SPDC would have the election by June 1990, even though the SPDC's formal announcement was on 16 February, one day before Japan's recognition of the SPDC (Holloway, 1989: 22).

<sup>75</sup> In general, it is very difficult to hold an election in the rainy season in Myanmar, which is usually from June to October.

would transfer power without much resistance if the NLD won the general election (MOFA, 4 October 1988).<sup>76</sup> He was also conscious about the effect of Japan's foreign aid policy, mentioning that the suspension of economic assistance from the Western bloc, including Japan, prevented the military junta from conducting any obvious or major fraudulent activities for the general election as the military junta understood that the resumption of Japan's economic assistance would be judged by the implementation of a free and fair general election (MOFA, 25 October 1988).<sup>77</sup>

From a legal perspective, however, the SPDC could be judged to have fulfilled the legal requirements for governmental recognition. In fact, this was MOFA's official rationale when giving governmental recognition to the SPDC on 17 February 1989. Because the Japanese government employed a dual recognition system, in which sovereign state recognition and governmental recognition should be dealt with as different diplomatic procedures, it was necessary for the Japanese government to recognize the SPDC in order to establish a formal diplomatic relationship. Under this system, governmental recognition should be judged by the authority's effective control over its territory and its will to respect international laws and agreements. According to MOFA, the SPDC could be regarded as having fulfilled these two conditions by February 1989 (AS, 17 February 1989a). This rationale, however, did not fully explain why MOFA decided to proceed with governmental recognition at this time, even if it was the apparent basis of the Japanese government's decision.

Instead, there are other factors that the Japanese government thought necessary to take into account. These factors, which emerged because of the delay in Myanmar's

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<sup>76</sup> Later on, Otaka also noted that there seemed to be a practical consideration from the authority that even if an anti-government faction achieved a landslide victory in the general election, it would be fine insofar as the military maintained its coherence to secure the lives and wealth of the Ne Win group (MOFA, 22 November 1988). In the end, the direction of Myanmar's domestic politics after the general election seemed to be highly uncertain even for him at that time.

<sup>77</sup> Otaka also predicted that the military government would increasingly realize the necessity of foreign assistance, particularly Japan's commodity loans, to solve the problem of a foreign currency shortage caused by trade liberalization (MOFA, 15 November 1988).

general election, might have been more significant in deciding governmental recognition at this time. The first factor was other countries' behaviour in relation to the SPDC. On the one hand, the PRC, the USSR, South Korea and some ASEAN countries had recognized the SPDC by February 1989, and were starting to strengthen their relationships with Myanmar. On the other hand, Western countries were critical of the SPDC and, according to some scholars, Washington put considerable pressure on the Japanese government not to resume ODA disbursement except for humanitarian aid (Seekins, 2007: 97; Steinberg, 2001: 256). Yet, the Japanese government could possibly have anticipated less serious pressure from the U.S. in early 1989 regarding the partial resumption of ODA as it was the period of the U.S. presidential inauguration. In addition, MOFA justified Japan's recognition of the SPDC and claimed that it would not be internationally problematic as the U.S. had also started to make official contacts with the SPDC (AS, 17 February 1989a).<sup>78</sup>

The second factor affecting Japan's decision to recognize the SPDC was Myanmar's accumulated debt which created a problem for Japan's ODA policy. Although the Japanese government had decided to grant approximately 300 billion yen of debt relief for Myanmar, it was necessary to secure the repayment from Myanmar in order to provide debt relief grants.<sup>79</sup> In addition, MOF at this time was highly negative towards the disbursement of yen loans for remaining ODA projects in Myanmar without the prospect of their completion. This meant that it was preferable for MOFA to secure debt repayments from the SPDC by establishing a formal diplomatic relationship in order to retain yen loan disbursement as an available foreign policy option.<sup>80</sup> Needless to say, Myanmar's default as a result of the continuation of domestic turmoil and the

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<sup>78</sup> Because of the difference in its governmental recognition system from Japan, the U.S. did not need to recognize the SPDC in establishing a formal diplomatic relationship (Holloway, 1989: 20).

<sup>79</sup> The Japanese government at this period conducted debt relief by disbursing debt relief grants which were equal to the amount of debt repayment from the recipient country rather than by simply cancelling the debt.

<sup>80</sup> Although it might be possible for the Japanese government to make a political decision to disburse yen loans to Myanmar without debt repayment, it would carry a huge political cost for MOFA or other policy-makers who would promote it.

suspension of foreign aid was the worst scenario not only for MOF but also for other ministries (Orr, 1990: 86).

The third factor was the remaining ODA projects which were suspended because of the '8888 Uprising' and subsequent unstable situation. According to one report, 19 yen loan projects (with pledges of up to 125.8 billion yen and having already disbursed 24.2 billion yen), six grant aid projects (with pledges of up to 9.1 billion yen and having already disbursed 3.7 billion yen), and two technical cooperation projects were on-going in February 1989 (AS, 17 February 1989b). As such, Japanese aid related institutions and companies committed to these on-going ODA projects started to worry that the previous investment for those projects might be wasted if the project sites were abandoned without any maintenance measures (AS, 28 December 1988).<sup>81</sup> The Japanese government, including MOFA and METI, recognized the necessity to provide economic assistance for such projects in order to avoid wasting previous investment as the SPDC did not have any resources to continue those projects by itself. The Japanese government also seemed to recognize the increasing demand for ODA resumption from Japanese companies committed to those projects not only through the JBA petition but also on other occasions of contact between the two sides.<sup>82</sup>

The last factor consisted of a number of political issues that emerged in relation to the problems caused by the absence of a formal diplomatic relationship.<sup>83</sup> In one case the members of two war veterans' associations were prohibited from visiting Myanmar for the annual consolation of spirits for those who had died in Myanmar during the war.

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<sup>81</sup> In the petition to the Japanese government issued in late January 1989, the JBA listed 19 major suspended projects including both yen loans and grant aid up to approximately 37 billion yen (AS, 16 March 1989). The list presumably reflected the priorities for those companies.

<sup>82</sup> Still, the direct impact of the JBA petition itself might have been not so substantial. The JBA Chairperson and Upper House member Yamaguchi commented to the *Mainichi* newspaper that, even though they had sent a petition, such an early recognition of the SPDC was unexpected because she thought that governmental recognition would be given after a democratic general election in Myanmar (Mainichi Shimbun Shakaibu ODA Shuzaihan, 1990: 25).

<sup>83</sup> MOFA used the excuse every time Japanese officials contacted SPDC officials that it did not mean to grant governmental recognition until 17 February 1989.

According to one report, the war veterans' associations attempted to push the Japanese government to recognize the SPDC through LDP members who had a close relationship with those associations, particularly Watanabe Michio and Abe Shintarō (Holloway, 1989: 21). Another case was upon the occasion of the funeral ceremony of the Showa Emperor, who had passed away on 7 January 1989. Japan initially considered that it was inappropriate to send a formal invitation to Myanmar for the funeral ceremony, which was scheduled on 24 February. Yet, the Chairman of the SPDC, Saw Maung, sent a condolence telegram to the Japanese government in late January 1989, in response to which some LDP politicians expressed their worry that it would be a problem to reject the SPDC's formal attendance at the ceremony as Myanmar had an historically close relationship with Japan (AS, 17 February 1989a; NS, 26 January 1989). Regardless of whether this was opportunistic reasoning or not, it seems certain that MOFA was under political pressure from LDP members who had a strong relationship with the SPDC and from Japanese companies involved in Myanmar ODA projects.

At the same time, MOFA was reportedly determined not to consider pledging to provide new yen loans to Myanmar at all (AS, 16 March 1989). Also, in deciding on a case-by-case basis, the Japanese government limited ODA resumption to remaining yen loan projects which were relatively small in scale and advanced in schedule. In other words, the Japanese government could claim that it was possible to encourage the SPDC's actual implementation of a general election and subsequent transfer of power by indicating the possibility of further yen loan disbursement. In the end, MOFA probably judged that it was a compromise to give governmental recognition at this time and partially reopen ODA on a case-by-case basis when considering the delayed schedule of Myanmar's general election and other emerging factors for the Japanese government.

Because the SPDC did not transfer power after the 1990 general election, the

Japanese government was in deadlock. Whereas the Japanese government still considered engagement was the most practical policy option for encouraging Myanmar's political and economic development, the SPDC's obvious neglect of the result of the 1990 general election made it extremely difficult to legitimize support for the SPDC. In particular, the NAB of MOFA became more concerned with the U.S. response in deciding the disbursement of economic assistance. On the other hand, there was no particular actor within the Japanese government who advocated a sanctions policy towards the SPDC in line with Western governments. As such, MOFA retained a 'wait-and-see' position to find an opportunity to justify further engagement with the military government and through various channels it repeatedly attempted to persuade the SPDC to transfer power to a civilian government as early as possible.<sup>84</sup> This attitude stemmed partly from the fact that the SPDC kept claiming it as a temporary government that was only staying in power until the establishment of a new government based on a formal constitution. It was also probably because peace building in Cambodia was a higher priority for the Japanese government, particularly for MOFA, and at that stage the Myanmar problem was recognized as an issue that should be solved by its own citizens based on the principle of non-intervention.

When it became apparent in the mid-1990s that the SPDC had reached ceasefire agreements with many ethnic minority groups and had implemented economic reforms, Japanese policy-makers perceived this as a chance to upgrade the relationship with Myanmar. Primarily in taking Myanmar's improving economic and business environment into account, METI decided to reopen trade insurance on cross-border trade with Myanmar on 2 May 1995. This had previously been suspended because of

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<sup>84</sup> For example, Foreign Minister Watanabe sent a letter to Myanmar's Foreign Minister Ohn Gyaw, advising Myanmar to behave in such a way so as to be recognized by international society and expressing Japan's wish to reopen ODA if the situation allowed (see Watanabe's response to Kubota Manae's question at the Foreign Affairs Committee in the House of Councilors on 7 April 1992). Also, Prime Minister Miyazawa Kiichi and Watanabe each sent a letter to Chairman Than Shwe and Ohn Gyaw on 28 April 1992, soon after Than Shwe's succession to the Chairman position on 23 April, advising them to schedule democratization as early as possible (see Watanabe's response to Aida Chouei's question at the Audit Committee in the House of Councilors on 25 May 1992).



Myanmar's political and economic turmoil and its debt repayment delay since 1988 (Keidanren, 1995b). In March 1995, MOFA also decided to provide 1 billion yen of grant aid which was aimed at producing food instead of narcotics. This move was presumably motivated by MOFA's prediction after Hubbard's visit to Myanmar in late 1994 that the U.S. would soften its attitude toward the SPDC and would not complain about a project which would contribute to reduce narcotics production.

Subsequently, the release of Aung San Suu Kyi on 10 July 1995 provided MOFA with an opportunity to make a slight modification in its official ODA policy. MOFA also decided to disburse 1.625 billion yen of grant aid for the Institute of Nursing in Yangon in 1995. Around this period, MOFA planned to reopen all remaining yen loan projects in accordance with the improvement in Myanmar's domestic situation, and prepared for a field survey of those projects. Yet, the heightening confrontation between the SPDC and the NLD from late 1995 as well as U.S. pressure on Japan's resumption of ODA prevented MOFA from starting the remaining yen loan projects. In order to seek an understanding of U.S. policy-makers, Director of the First Southeast Asia Division of MOFA Matsutomi Shigeo visited the White House, the State Department, and the Congress, and met with some journalists in Washington to explain Japan's policy shift toward Myanmar (Mann, 8 January 1996). Yet, this resulted in Washington's strong and persistent criticism against the SPDC and Japan's engagement with it. In mid-May 1996, after observing the situation in Myanmar for a while, and as a result of discussion among senior officers of the Economic Cooperation Bureau (ECB) and the AAB regarding regression in democratization in Myanmar, MOFA reportedly decided not to resume the disbursement of yen loans to Myanmar (AS, 12 July 1996).

Taken as a whole, Japan's decision-making during this period can be understood as bureaucratic politics reacting to changes in Myanmar's political situation and U.S. policies in response to this. The Japanese government did not make any

distinctive policy initiatives but remained in a wait-and-see position in order to seek opportunities to bring its ODA policy back to a normal status. The only occasion on which the Japanese government made a somewhat politically controversial decision was when it granted governmental recognition to the SPDC. Yet, that decision was also a practical reaction to various factors that the Japanese government had to take into account because of Myanmar's delayed general election.

## *7. Conclusion*

A structural level analysis would suggest that there were several fairly rational policy options for the Japanese government during this period. One of the most likely options for Japan should have been a sanctions approach keeping in line with the U.S. and other Western countries, especially after the 1990 general election. When considering its decreasing geopolitical significance and scarce economic interest in Myanmar, there should have been little rationale to create a source of conflict with the U.S. On the other hand, if Japan's focus was to protect its national interests by maintaining a close relationship with a pro-Japanese regime in Asia and seeking economic interests in an emerging market, then the most likely option for Japan should have been an unconditional support approach to the SPDC and a comprehensive resumption of ODA. After the Tiananmen Square incident, for example, Japan's response toward the PRC was more proactive in that it engaged with an authoritarian regime that was being criticized by Western countries for its infringement of human rights. When considering that Myanmar had little significance for the U.S. and the receding Cold War tension in the region, it should have been easier for Japan to employ this policy option compared to the previous era, even if it resulted in criticism from Western countries. After all, however, neither of these two options became Japan's actual policy toward Myanmar during this period. A unit level of analysis can help

reveal the reasons.

From the Japanese government's perspective, Myanmar was in the process of postcolonial political and economic development and, thus, Japan should support and encourage Myanmar's political leaders' efforts for such development based on the principle of non-intervention. This collective perception held by most Japanese policy-makers regarding the Myanmar problem and the social and transnational level structure meant that a sanctions policy in line with Western governments was not a potential policy option for the Japanese government. On the other hand, there were three reasons that the Japanese government did not act more proactively, either through unconditional support, friendship engagement or critical engagement. These were international structural pressures, especially from the U.S., scarce critical interest in Myanmar, and domestic bureaucratic politics. These factors made Japan's engagement policy highly reactive to the development of the Myanmar problem. Bureaucratic politics emerged in Japan's Myanmar policy-making not only because of the pre-1988 policy-making which had become an organizational process but also because of policy tradeoffs imposed by the transforming multi-dimensional international structure which had surrounded Japan's Myanmar policy since 1988.

An international structural perspective can explain that, whereas different dimensions of international structure surrounding Japan's Myanmar policy offered different incentives, the Japanese government seemed to combine its shared perceptions of social and transnational structure with changing incentives and constraints in international economic and political structure. In sum, Japan's low-key and reactive friendship engagement during this period was a product of bureaucratic coordination among Japanese policy-makers and politicians, which focused on different structural and opportunistic incentives, and which in turn was based on certain shared perceptions of the Myanmar problem and the surrounding social and transnational structure.

## **Chapter 4**

### **From 1997 to 2004: Leaders' Initiatives from Friendship to Critical Engagement**

#### *1. Overview*

This chapter examines Japan's Myanmar policy from 1997 to 2004, when the Japanese government behaved somewhat proactively vis-à-vis the Myanmar problem. After attempting to improve its relationship with Western countries, the SPDC gradually became focused on relations with neighbouring countries in the face of the sanctions policy of the U.S. and the EU during this period. At the same time, Myanmar's economic stagnation in the late 1990s increased the necessity for the SPDC to acquire economic assistance from foreign countries. In doing so, the SPDC seemed to target Japan and ASEAN members as essential in its diplomatic efforts so as not to depend excessively on the PRC, which was actively strengthening its political and economic ties with the SPDC. In terms of economic policy, a rapid increase in imports and a lack of foreign currency made the SPDC realize the urgency of improving governmental control over private economic and trade activities. Having already been weakened by the Asian Financial Crisis, cross-border trade and investment were further shrunk by the reverse of SPDC economic policy from liberalization to state control. Natural gas exports to Thailand from 2001, however, saved the SPDC from serious economic difficulties by providing foreign currency which enabled the SPDC to offset most of its trade deficit in the early 2000s and to steadily increase its foreign currency reserves (Kudo, 2008: 13). This meant that foreign economic assistance was less urgent for the SPDC and it became more confident to employ an isolationist and uncompromising attitude toward other countries.

While the basic picture of Myanmar's domestic agenda was mostly unchanged, differences in policy direction within the SPDC emerged during this period. Whereas Than Shwe and his close confidant Vice-Chairman Maung Aye maintained hard-line isolationist ideas, Khin Nyunt advocated a more moderate pragmatic direction. He restarted political dialogue with Aung San Suu Kyi and attempted to improve relationships with neighbouring and Western countries. However, there was no substantial reconciliation between the SPDC and Aung San Suu Kyi or the NLD. The latter two's political movements in appealing to the general public and international society were seen as unacceptable by the SPDC's hard-liners who cyclically carried out brutal oppression against them which resulted in international criticism of the SPDC. Domestic political stagnation and persistent international criticism presumably weakened the position of moderate pragmatists led by Khin Nyunt, who was finally ousted in October 2004. In other words, there was almost no change in terms of Myanmar's democratic legitimacy, although it is possible to claim some improvement of human rights in the non-political arena. Domestic insurgency activities of ethnic minority groups remained relatively moderate due to the combination of ceasefire negotiations initiated by Khin Nyunt and the increase in military operations in ethnic minority areas from the early 1990s. The SPDC paid less attention to problems of migration and refugees which became more and more serious during this period, but they did have some success in containing drug trafficking.

In terms of international political structure, the deepening tension between the SPDC and the NLD from late 1995 led to further criticism and sanctions from Western countries. On the other hand, ASEAN was generally supportive of Myanmar under the SPDC rule, which gained ASEAN membership in 1997, although the Asian Financial Crisis undercut ASEAN leaders' political standing in supporting the SPDC based on 'Asian values' arguments. The PRC deepened its relationship with the SPDC by holding frequent bilateral meetings among senior leaders as well as providing substantial

material support. These events affected international economic structure as well. Western companies were increasingly restrained from investing in Myanmar both for fear of risking their reputations and due to the sanctions policy; and, capital flows from ASEAN countries' public and private sectors to Myanmar also showed a drastic decline, primarily due to the Asian Financial Crisis. As a result, the PRC became the dominant economic partner for Myanmar during this period. However, because it earned foreign currency from natural gas exports to Thailand from 2001, the SPDC could avoid an economic crisis and hedge against excessive dependence on the PRC. At the societal and transnational level, despite the unchanged picture of a separation of political power and legitimacy, the SPDC's de facto control over the country increased due to its successful oppression of the NLD's political activities and the maintenance of ceasefire agreements with ethnic minority groups.

During this period, many Japanese policy-makers saw the necessity to conduct a more proactive policy toward Myanmar although their motivations were diverse. This was largely because in the late 1990s the Myanmar problem became increasingly politicized as a controversial international problem. In observing Myanmar's domestic power configuration and political deadlock from the mid-1990s, the consensus among many Japanese policy-makers was that the SPDC would continue to rule and therefore the most practical measure for addressing the Myanmar problem was to push leaders in both camps to achieve pragmatic political reconciliation and cooperation for future political and economic development. The Western governments' sanctions policy was, therefore, regarded as a counterproductive measure for Myanmar's political and economic development. This was why a sanctions policy was not an option for most Japanese policy-makers in spite of the increasing structural costs of continuing with the engagement policy, especially in terms of the Japan-U.S. relationship.

From the mid-1990s, the debate on Japan's Myanmar policy direction was

heightened among Japanese policy-makers in accordance with the development of the Myanmar problem and transitions in international structure. On the one hand, this was linked with different perceptions of the power and policy objectives of three countries or groups of countries: the U.S. had become increasingly unconstrained as the only superpower; the PRC had increased its presence in Southeast Asia; and, ASEAN had become an overarching regional framework but was seriously damaged by the Asian Financial Crisis. On the other hand, the debate was related to different identifications of Japan's national interests in the Myanmar problem and what policy means should be used to pursue them. When observing Japan's actual policy implementation, in the end, the Japanese government employed proactive engagement primarily in order to pursue its pragmatic objectives and at the same time to deal with the costs and benefits imposed by the changing international structure. In fact, in spite of friction with U.S. policy towards Myanmar, the Japanese government never altered its engagement policy during this period. The Japanese government did not provide enough support for the SPDC to counterbalance the PRC's increasing influence, but did keep raising Myanmar's domestic issues in bilateral talks even though this resulted in the SPDC expressing disappointment toward Japan. In other words, Japan's policy implementation indicated that 'China threat' arguments regarding the Myanmar problem remained as part of the political discourse or were at least an indirect objective which would only be achieved after changing Myanmar's domestic situation. Still, there was a transition in Japan's policy during this period in its approach to the Myanmar problem. The Hashimoto, Obuchi and Mori administrations maintained a default friendship engagement policy based on their belief in the SPDC's goodwill for political and economic development as well as an historical bilateral friendship. However, the Koizumi administration exercised a more critical form of engagement which aimed to develop a rule-based political system in Southeast Asia and to utilize economic assistance and other policy measures as leverage against the SPDC.

In terms of domestic resource mobilization, senior political leaders' initiatives certainly enabled the Japanese government to take a more proactive stance, while at the same time an increase in domestic actors' participation in the decision-making process gave more room for such actors to carry out rent-seeking activities. Some politicians, for example, influenced the decision-making process of ODA provision by advocating more support for the SPDC on the grounds of a 'China threat' argument and an authoritarian developmental perspective on the Myanmar problem. Senior leaders in the cabinet, particularly the Prime Minister and Minister for Foreign Affairs, also became more involved in the domestic policy-making process during this period. In other words, Japan's Myanmar policy-making seemed to shift from one of bureaucratic politics to one of political leadership even if the political leaders still largely depended on the bureaucracy for policy planning and coordination.

## *2. Foreign Policy Agenda*

Myanmar's deadlock in the mid-1990s in terms of its domestic political dialogue and its economic stagnation in the late-1990s caused the SPDC to modify its foreign policy on both political and economic issues. As mentioned above, there were emerging differences in direction within the SPDC. While Than Shwe and Maung Aye held hard-line interventionist views, Khin Nyunt and other moderate pragmatists initiated positive actions to promote political talks with the NLD and ethnic minority groups and to improve relationships with other countries. Although Khin Nyunt pursued this policy direction until his ouster in October 2004, the political standing of moderate pragmatists was weakened by various factors. These included the unsuccessful domestic political reconciliation, the start of natural gas exports which decreased SPDC dependence on foreign assistance, the hard-liners' oppression of domestic opponents, and the resulting increased sanctions by Western governments. These political dynamics



within the SPDC were reflected in its foreign and economic policy transitions during this period. However, Myanmar's domestic problems, mainly consisting of the issues of political legitimacy, human rights protection, domestic insurgencies, drug trafficking, and migration and refugees, were fundamentally unchanged and remained as significant political issues.

In its foreign policy, the SPDC made diplomatic efforts to improve its position in international society as well as to gain political and economic support from other countries. Khin Nyunt, who attended many bilateral and multilateral meetings as Myanmar's representative during this period, played a crucial role in such efforts. In the first place, the SPDC even attempted, in vain, to improve its image in the U.S. by contracting U.S. advertisement agencies. In recognizing the difficulties in improving its relationships with Western countries, the SPDC's efforts became more focused on neighbouring countries. Although it successfully deepened its relationship with the PRC in terms of frequent exchanges between leaders and the acquisition of material and non-material support, the SPDC could not satisfactorily improve relationships with Japan and ASEAN as its domestic political deadlock became an increasingly critical obstacle. In the end, Khin Nyunt, who had initiated the international cooperation policy line, was ousted in October 2004, leading to the SPDC's return to an isolationist and uncompromising foreign policy line.

In economic policy, the SPDC was primarily motivated by the necessity to respond to the domestic economic downturn and diminishing foreign currency reserves. This led to a combination of diplomatic efforts to gain foreign economic assistance and an interventionist economic policy to tighten control over private economic activities so as to avoid further economic and social instability. While Myanmar's economic growth had already stagnated before then, the Asian Financial Crisis of 1997 was a further trigger for Myanmar's serious economic downturn by causing a shrinking of foreign

companies' investment and business operations.<sup>85</sup> Responding to this, in November 1997, the SPDC formed the Trade Policy Committee (TPC) headed by Maung Aye, which became the central agency to strengthen state control over trade and other private business activities. The TPC actually functioned well in reducing foreign currency outflows by imposing trade and financial regulations. At the same time, the export of natural gas, which provided foreign currency to the SPDC from 2001, largely decreased the constraints on the SPDC's economic and fiscal management. As a result, there emerged a peculiar sustainability in the Myanmar economy from the early 2000s, in which the SPDC could maintain general macro-economic stability even though the Myanmar economy itself was stagnating (Kudo, 2008: 20-23).

The agenda of democratic legitimacy in Myanmar showed minimal substantial changes during this period. For Aung San Suu Kyi and the NLD, almost the only leverage that they had against the SPDC was support from the general public and international society based on their political legitimacy; whilst the hard-liners within the SPDC repeatedly and brutally cracked down on the NLD's political activities based on their material capabilities. Despite this, there emerged a move toward a good-faith political dialogue initiated by Khin Nyunt. Somewhat paradoxically, this started after Aung San Suu Kyi's house detention on 23 September 2000 following her 'stay-in-the-car' protest against the SPDC's blockage of her departure from Yangon to rural areas for a political campaign. Whilst leading to the release of Aung San Suu Kyi on 6 May 2002, however, this dialogue again met deadlock after the 'Depayin incident' on 30 May 2003, the SPDC-sponsored attack of Aung San Suu Kyi's group on its way to conduct a political campaign in a rural area. The political dialogue finally ended after the ouster of Khin Nyunt, who had still sought to continue dialogue with Aung San Suu Kyi even after the Depayin incident, resulting in the SPDC's further uncompromising attitude toward political opposition.

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<sup>85</sup> For a detailed analysis of the impact of the Asian Financial Crisis on the Myanmar economy, see Nishizawa (2000).

While the hard-liners oppressed the domestic political opposition, the moderate pragmatists made efforts to respond to international criticism of human rights infringements. In the late-1990s, for example, the SPDC accepted Australia's proposal for dialogue and cooperation with the Australian Agency for International Development on the agenda of human rights protection. In addition, the SPDC took action on some issues including prison conditions and forced labour (Pedersen, 2008: 8) and from time to time announced that it would release members of the NLD. These attempts were not appealing enough to satisfy many international critics, and the agenda of human rights protection was repeatedly raised in the international arena, especially by Western governments and NGOs. In fact, there was little fundamental improvement in Myanmar's human rights situation, especially in political rights and rights for ethnic minorities.

Domestic insurgency activities were generally moderate during this period due to the preservation of ceasefire agreements between the SPDC and the major ethnic minority groups. The exception was the KNU which continued its armed struggle against the SPDC in the border area with Thailand. Although it was internationally significant, the issue of drug trafficking was less politicized during this period, partly because the SPDC took some measures to address the problem and partly because international society focused more on democratic legitimacy and human rights protection. Whilst the problems of migration and refugees became more and more serious, the SPDC almost completely neglected them throughout the period.

In sum, a difference of policy directions within the SPDC emerged during this period. While the hard-liners continued their oppressive and interventionist stance in order to maintain domestic stability, the moderate pragmatists attempted to accommodate domestic opposition and international critics and thereby to improve

Myanmar's relationships with other countries. However, the political standing of the moderate pragmatists was never strong enough to bring about visible and substantial change in Myanmar's domestic problems. This led to divided perceptions from other governments about Myanmar. Most Western governments focused on the stagnating or worsening situation regarding democratic legitimacy and human rights protection, whereas Japan and ASEAN recognized the moderate pragmatists' policy initiatives as essential opportunities to change Myanmar's domestic situation. As a result, the different responses of other governments to Myanmar, in combination with exogenous changes in international structure, led to a transformation of international structure surrounding the Myanmar problem during this period.

### *3. International Structure*

During this period, as Western countries, ASEAN and the PRC pursued different policy directions toward Myanmar, there emerged four significant transitions in international political and economic structure which affected the Myanmar problem. Firstly, being the only superpower in terms of material capabilities, the U.S. strengthened its sanctions policy in an uncompromising manner from the mid-1990s, resulting in a decrease in its ability to change the SPDC's direction through negotiation and persuasion. Although in a somewhat different manner, the EU and other Western governments also gradually strengthened sanctions. The one exception was Australia's attempt at critical engagement in the late 1990s. Secondly, ASEAN became an overarching regional framework involving all Southeast Asian countries but the Asian Financial Crisis seriously damaged regional economic and social stability, leading to significant changes in ASEAN's political landscape such as the 1998 stepping down of one of ASEAN's political icons, Indonesian President Suharto. Thirdly, by achieving rapid economic growth under its reform and opening-up policy as well as improving its

relationships with neighbouring countries under its good-neighbour policy, the PRC expanded its presence across Southeast Asia, including Myanmar. Finally, the UN became more involved in the Myanmar problem after the appointment of the former Malaysian diplomat Razali Ismail as the UN secretary-general's special envoy to Myanmar. He attempted more proactive mediation whilst having already played a certain role especially in regard to human rights protection since the '8888 Uprising'. These transitions caused substantial changes in international structure surrounding the Myanmar problem in combination with changes in the Myanmar problem itself.

Voices advocating sanctions became dominant in the U.S. Congress and administration from 1997, when the second Clinton administration appointed Madeleine Albright as Secretary of State, Sandy Berger as head of the National Security Council, and Bill Richardson as U.S. Ambassador to the UN, all of whom explicitly supported Aung San Suu Kyi. Albright had particularly strong personal sympathy for Aung San Suu Kyi since meeting her as the U.S. ambassador to the UN in 1995 (Albright, 2003: 200-202). In an executive order on 20 May 1997, President Clinton announced the prohibition of all new investments from the U.S. to Myanmar except for trade and service contracts or non-profit humanitarian assistance. Although he did not explain under what conditions the investment ban would be removed, Clinton urged the SPDC "to lift restrictions on Aung San Suu Kyi and the political opposition, to respect the rights of free expression, assembly and association, and to undertake dialogue that includes leaders of the NLD and the ethnic minorities and deals with the future of Burma" in his statement to Congress (quoted in Pedersen, 2008: 30). Here, the stance of Congress and the administration became much closer in carrying out a sanctions policy in an uncompromising manner.

Despite several attempts in Congress as well as in the administration, the U.S. restrained from taking any further sanction measures until the early 2000s. In July 2002,

there were signs of improvement when Kyaw Thein, then head of the military intelligence's Department of Ethnic Affairs and Drugs, was the first high-ranked Myanmar officer in more than five years to visit Washington. Yet, this did not lead to any further improvements since the U.S. sanctions were renewed by the annual decision on certification in January 2003 mainly because of strong support in Congress. In addition, in response to the Depayin incident, the Burmese Freedom and Democracy Act of 2003 enabled the U.S. to enact further sanctions including import bans and freezing of the assets of the SPDC and its officers in the U.S. This meant that U.S. sanctions against the SPDC became one of the most comprehensive sanctions policies against any regime in the world.

The EU also strengthened its initial October 1996 sanctions policy toward Myanmar even if it emphasized more targeted sanctions in considering the impact on Myanmar's humanitarian situation. Responding to the claim from the International Confederation of Free Trade Unions (ICTFU) on forced labour in Myanmar, the EU suspended the Generalized System of Preferences (GSP) for Myanmar's industrial and agricultural products in early 1997. Whilst largely symbolic, this policy was the first case in which the EU linked the human rights of workers with a trade policy measure. From around this period, the EU clearly shifted to a sanctions policy line. The government change in the UK after the election in May 1997 accelerated this shift because the new Labour Party administration unilaterally employed further sanctions against the SPDC as a part of its human rights diplomacy. While the UK and some other countries advocated more comprehensive sanctions, the EU strengthened only targeted sanction measures including a visa ban, an assets freeze and an arms embargo in a step-by-step manner during this period (Pedersen, 2008: 37-39). In fact, in 1999, the EU held talks with the SPDC when dispatching its 'Troika' missions to Myanmar, even if this did not bring any change to its sanctions policy.

Whereas most other Western countries such as Switzerland, Norway and Canada basically took a similar position to the EU, Australia was one country which employed a slightly different policy toward the military government. Despite keeping in line with the U.S. and the EU in challenging the SPDC in the UN and other international forums, Australia openly refused to isolate it in international society by a sanctions policy, insisting that the human rights situation in Myanmar would be best improved by a direct and critical dialogue with the military government. In fact, the Australian Agency for International Development worked directly with Myanmar governmental agencies on human rights and humanitarian issues from the late 1990s, although it brought few substantial changes to Myanmar's domestic situation.

ASEAN found it necessary to deal with the Myanmar problem as an internal agenda item after Myanmar's accession to ASEAN in July 1997 and it was faced with serious political and economic challenges caused by the Asian Financial Crisis in the same year. Both factors substantially influenced ASEAN's commitment to the Myanmar problem. Firstly, and as the most direct result of the Asian Financial Crisis, ASEAN's previously rapid economic growth stagnated and ASEAN countries no longer had the resources to support Myanmar. This economic stagnation also revealed the problems of authoritarian developmental states, discrediting the rationale of 'Asian values' arguments which were frequently utilized to legitimize the SPDC's rule in Myanmar. Secondly, the influence of three of ASEAN's iconic political leaders was scaled back during this period. Following Thai Prime Minister Chavalit's resignation on 6 November 1997, Indonesia's President Suharto, who had been the major advocate of Myanmar's accession to ASEAN, stepped down after 32 years in power on 19 May 1998. The political presence of Malaysia's Prime Minister Mahathir also declined, especially after a political struggle with Deputy Prime Minister Anwar, who was ousted and then arrested in 1998. These events weakened ASEAN leaders' voices in advocating 'Asian values' for supporting Myanmar in international society. Lastly, the involvement

of Myanmar and other Indochina countries in ASEAN became an opportunity for ASEAN to reconsider its basic principles, particularly that of non-intervention on issues with cross-border impacts. At the ASEAN Ministerial Meeting in July 1998, Thailand's Foreign Minister Surin Pitsuwan proposed to shift to a flexible engagement policy, which would enable ASEAN to discuss members' domestic issues that had cross-border implications. Despite this meeting not reaching a consensus, it certainly fuelled a debate on the reconsideration of the principle of non-intervention within ASEAN during this period.<sup>86</sup>

In dealing with the Myanmar problem, amongst the ASEAN leaders, in coordination with Razali, Mahathir attempted to play a mediation role in the early 2000s. When visiting Myanmar as ASEAN's representative in January 2001, Mahathir asked Than Shwe to carry out a general election in a few years' time. Responding to this, the Myanmar Foreign Minister organized a free discussion among ASEAN Foreign Ministers in which the process of political dialogue with Aung San Suu Kyi and the NLD was revealed. Subsequently, Mahathir visited Myanmar again along with 300 businesspeople in August 2002. However, due to the deadlock in Myanmar's domestic political dialogue and the Depayin incident, Mahathir's initiatives did not bring about any meaningful improvement in Myanmar's political situation.

After the Depayin incident, Thailand's Prime Minister Thaksin, who had been attempting to strengthen pragmatic ties with Myanmar in a bilateral relationship, began one specific initiative. Whilst urging the SPDC to release Aung San Suu Kyi, Thaksin also insisted that U.S. economic sanctions were harmful to the Myanmar economy and a transition time should be given to Myanmar. On 24 July 2003, Thaksin proposed a

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<sup>86</sup> For example, it was agreed at the ASEAN Informal Summit on 28 November 1999 that the ASEAN Troika consisting of the Foreign Ministers of the present, past and future chairs would be formed on an ad hoc basis if necessary to address urgent and important regional, political and security issues and situations. On ASEAN's reconsideration of the principle of non-intervention, see Yamakage (2001).



roadmap toward Myanmar's democratization by 2006; and subsequently on 30 August, Khin Nyunt, the newly appointed Prime Minister, announced his own seven-step roadmap toward 'disciplined democracy', but it did not mention either a specific schedule or the release of Aung San Suu Kyi. In response, the Thai government initiated the so-called 'Bangkok process.' The first meeting, on 15 December 2003, was attended by a number of European and neighbouring Asian countries, in which Myanmar's Foreign Minister Win Aung announced the holding of a 2004 National Convention to formulate a new constitution. However, only six days prior to the second meeting which was scheduled on 29-30 April 2004, the SPDC suddenly cancelled its attendance. Thereafter, due to the ouster of Foreign Minister Win Aung on 18 August and of Prime Minister Khin Nyunt on 19 October, the Bangkok process initiated by Thaksin was also deadlocked.

The Myanmar problem also became a source of conflict between the EU and ASEAN during this period. Having failed to prevent ASEAN from recognizing Myanmar's membership in 1997, the EU insisted on the exclusion of Myanmar from inter-regional dialogues. As ASEAN refused to accept this in bloc-to-bloc meetings, the ASEAN-EU Ministerial and Joint Cooperation Committee meetings were cancelled for a number of years after Myanmar's accession to ASEAN. This led to a political crisis in the inter-regional cooperation framework (Takano, 2001: 158-160). Myanmar was also a source of conflict at the ASEM, which was formed in March 1996 for the purposes of dialogue between ASEAN+3 and the EU. As the EU refused to accept the attendance of the Myanmar representative to the ASEM, the attendance of not only Myanmar but also Laos and Cambodia was delayed until 2004. After East European countries joined the EU in 2004, ASEAN insisted that their attendance to the ASEM could not be accepted without the attendance of Cambodia, Laos and Myanmar. In the end, the EU and ASEAN reached a compromise in which Myanmar's Foreign Minister-level representative, instead of a Prime Minister-level representative, would attend the ASEM

in October 2004.

The PRC, on the other hand, successfully deepened its relationship with the SPDC throughout this period. The SPDC was an important target for the PRC's good-neighbour policy; not only because of the necessity of confidence-building with a neighbouring country but also because of Myanmar's geopolitical significance, abundant natural resources and economic potential. The PRC, for instance, concluded a new economic cooperation agreement and announced a 70 million yen loan to Myanmar in March 1997 (Green, 2001: 183). The China-Myanmar relationship was further strengthened when the SPDC faced serious economic difficulties in the late 1990s. In fact, exchanges between the political leaders of the two countries significantly increased after 2000, leading to various agreements on bilateral cooperation especially in economic areas (Bi, 2008: 172-175). As a result, despite the SPDC's tightening control over trade activities, the amount of trade between the PRC and Myanmar increased in the early 2000s. FDI from the PRC also expanded, particularly in natural resource development projects.

The UN also played a significant role during this period in regard to human rights and humanitarian issues, especially through functional activities at the level of UN specialized agencies. Having been appointed as the UN Secretary-General's special envoy to Myanmar in April 2000, the former Malaysian diplomat Razali initiated contact with both the SPDC and Aung San Suu Kyi, leading to a dialogue between the two camps after Aung San Suu Kyi's house detention in September 2000. Despite the release of Aun San Suu Kyi in May 2002, however, Razali's mediation efforts became moribund due to the stagnation of political dialogue between the two sides. After the SPDC repeatedly refused Razali permission to visit Myanmar for more than two years he resigned in January 2006. The International Labour Organization (ILO) became particularly critical of the SPDC during this period due to the issue of forced labour in

Myanmar and the SPDC's uncooperative attitude to ILO activities. In 2000, the ILO adopted an unprecedented resolution requesting all ILO constituencies including governments, employers and workers to reconsider their relationship with the SPDC (Pedersen, 2008: 42-43).

As a result of these changing behaviours of the main actors, international structure surrounding the Myanmar problem underwent significant change. Whilst it was dominant globally and regionally in the late 1990s, the U.S. exerted less leverage over the SPDC because of its uncompromising sanctions policy and few efforts at negotiation and persuasion. ASEAN's position in international structure also weakened after the late 1990s. ASEAN continued to support Myanmar in international society, but decreased its capability and credibility in dealing with the Myanmar problem because of the impact of the Asian Financial Crisis and its failure to play a mediation role during this period. This also made ASEAN leaders less confident and determined in supporting the SPDC based on authoritarian developmental state arguments. In the meantime, as an emerging regional power, the PRC successfully deepened political and economic ties with the SPDC by employing a good-neighbour policy. As such, the SPDC regarded the PRC as its most significant supporter but was still highly cautious about being excessively dependent on it.

In terms of international economic structure, Myanmar's trade and investment relations with Western countries shrank in accordance with the West stepping up its sanctions policy. At the same time, FDI from ASEAN countries also decreased because of the impact of the Asian Financial Crisis, while from 2001 natural gas exports to Thailand provided foreign currency to the Myanmar government. The gas exports enabled the SPDC to avoid excessive dependence on the PRC, which had become a dominant economic partner for Myanmar in both trade and investment relationships. On the whole, however, Myanmar's economic liberalization and deepening foreign

economic relations stagnated in the late 1990s, which made the SPDC less vulnerable to foreign economic relations as long as it could maintain domestic economic and social stability. In other words, by putting a low priority on economic growth, the SPDC could increase its autonomy in foreign economic relations even if trade and investment relationships with neighbouring countries, particularly the PRC, and foreign currency inflows from Thailand were vital for its economic management.

In contrast to international economic structure, societal and transnational structure remained largely unchanged during this period. The SPDC consolidated its dominance in terms of material capabilities over the domestic opposition whereas the NLD led by Aung San Suu Kyi maintained its democratic legitimacy stemming from the result of the 1990 election. Ethnic minority groups also generally scaled down their material capabilities, though still retaining a significant amount, due to the SPDC's successful military operations and ceasefire negotiations. Although the organizations of Myanmar nationals and their supporters in other countries became well organized in lobbying activities, the decreasing leverage of Western governments over the SPDC eventually meant a decreasing leverage for the NLD and Aung San Suu Kyi via such organizations.

#### *4. Policy-Makers' Perceptions*

While the basic perceptions of the three main ministries playing major roles in Myanmar policy-making were largely unchanged from the previous period, the development of the Myanmar problem into a more controversial international one changed the costs and benefits imposed by international structure on Japan in order to maintain its default engagement policy. Essentially, it was necessary for the Japanese government to deal with three major changes in international political and economic

structure: the U.S. as the only superpower strengthening an ideological sanctions policy toward Myanmar; the PRC as a growing power which had increased its presence in Myanmar; and, ASEAN which involved all Southeast Asian countries including Myanmar but seriously suffered as a result of the Asian Financial Crisis. Kawashima Yutaka, a MOFA executive officer during this period,<sup>87</sup> observed that there was a Myanmar policy debate in Japan between ‘realists’ and ‘idealists’ throughout the 1990s. ‘Idealists’, on the one hand, opposed the provision of economic assistance as it would support the oppressive military government. ‘Realists’, on the other hand, advocated supporting the SPDC in order to maintain friendship with a pro-Japanese country, to avoid isolating Myanmar, which would give the PRC a chance to increase its presence there, as well as to critique the double standards in Western governments’ human rights diplomacy, which applied a strict standard to those countries in which they did not have substantial interests (Kawashima, 2003: 121-122).<sup>88</sup> In accordance with the politicization of the Myanmar problem in the international arena, Japanese political leaders began to regard it as one of most important Southeast Asian issues in Japan’s foreign policy-making. In fact, the most distinctive change in the Japanese government during this period was that cabinet members began to initiate Myanmar policy-making. This, on the one hand, enabled the Japanese government to conduct Myanmar policy in a more decisive manner but, on the other hand, put Japan’s Myanmar policy under the more direct influence of leaders’ perceptions of the Myanmar problem.

It was under the Hashimoto administration after 11 January 1996 that senior leaders began to initiate Myanmar policy-making. The basic perception of those leaders of Myanmar was not substantially different from that of MOFA. In accordance with the development of the Myanmar problem and transitions in international structure in an

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<sup>87</sup> Kawashima served as Director General of the Asian Affairs Bureau from 1994 to 1995, Director General of the Foreign Policy Bureau from August 1995 to August 1997, and Vice-Minister for Foreign Affairs from August 1999 to August 2001.

<sup>88</sup> In arguing on the debate between ‘realists’ and ‘idealists’, Kawashima seemed to imply that Japan employed a policy direction closer to the former position during the 1990s, even though he did not explicitly mention it (Kawashima, 2003: 121-122).

unfavourable direction for Japan's default engagement policy, leaders recognized the necessity of responding to international structural constraints in pursuit of pragmatic objectives for Japan's Myanmar policy. At a personal level, Prime Minister Hashimoto Ryutaro had been interested in Myanmar since his visit for the recovery of the remains of dead soldiers as Vice-Minister for Health and Welfare during 1970-71. Minister for Foreign Affairs Obuchi, who succeeded Hashimoto on 30 July 1998, was also more active in Myanmar policy-making. Having been Cabinet Secretary and acting Minister for Foreign Affairs, Obuchi had engaged in Myanmar policy when Japan gave governmental recognition to the SPDC and invited its representative to the Showa Emperor's funeral ceremony in early 1989. Hashimoto and Obuchi's relationships with war veterans' associations presumably had some influence on their attitude toward Myanmar as well.

In terms of a general foreign policy direction, both Hashimoto and Obuchi promoted an autonomous Asian policy for Japan, especially after the Asian Financial Crisis in 1997. Since ASEAN's involvement of Myanmar and Indochina countries as well as the occurrence of the Asian Financial Crisis, they became more proactive in supporting ASEAN's stability and balanced development. This was closely related to their concerns about Japan's changing strategic environment in the post-Cold War era. These concerns included the changing Japan-U.S. relationship as the security treaty was redefined and trade disputes occurred and the PRC's increasing presence in Southeast Asia which could undermine Japan's position if it simply followed U.S. policy. Myanmar was increasingly perceived as a significant agenda item in this context.<sup>89</sup> Both Hashimoto and Obuchi were critical of the U.S. sanctions approach toward Myanmar, which they saw as a case of double standards of U.S. human rights diplomacy which only applied to those countries in which the U.S. had little substantial

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<sup>89</sup> In December 1997, Prime Minister Hashimoto had already revealed the perception that the Thai currency crisis had a cross-border impact on Myanmar and other regions. See Prime Minister Hashimoto's response to LDP member Miyazawa Kiichi's question at the Budget Committee in the House of Representatives on 1 December 1997.

interest. They were also anxious about the PRC's proactive support for the SPDC, which they saw as weakening the traditional Japan-Myanmar friendship, placing Myanmar under PRC influence, and decreasing SPDC efforts at nation-building and development. From this perspective, they attempted to conduct friendship engagement in a proactive manner whilst dealing with changing international structure in order to maintain Japan's pragmatic objectives to support and encourage Myanmar political leaders' efforts for political and economic development.

The Mori administration, which lasted about a year, maintained a similar position to previous ones. Then the Koizumi administration, which came into power on 26 April 2001, also conducted a proactive foreign policy toward Myanmar, although it seemed to be based on a slightly different perspective. The Koizumi government's overall foreign policy direction was to strengthen its relationship with the George W. Bush administration, particularly after 9/11, thereby retaining certain free space in Japan's Asian policy with the support of the U.S. At the same time, Prime Minister Koizumi was less sympathetic to the SPDC than his predecessors; in his meetings with SPDC leaders he more bluntly urged them to promote the domestic democratization process.<sup>90</sup> Former Deputy Minister for Foreign Affairs Tanaka Hitoshi initiated Japan's Myanmar policy in coordination with Koizumi during this period. He explained that Japan's position toward Myanmar was a proactive commitment to construct a 'rule-based society' in East Asia rather than a pursuit of international strategic interests, which was clearly different from both the U.S. sanctions policy and the PRC's unconditional support of the SPDC. In doing so, according to Tanaka, Japan's primary international concern was to support ASEAN's efforts to solve the Myanmar problem as an internal issue rather than focusing on Japan's relationships with the U.S. or the PRC. In rejecting LDP member Iwanaga Mineichi's suggestion to provide unconditional support for Myanmar for the purpose of counterbalancing the PRC, Minister for Foreign

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<sup>90</sup> Koizumi had been a member of the DMLSDM even if he was not particularly proactive in the league's activities.

Affairs Kawaguchi Yoriko also emphasized the significance of Myanmar's mid- and long-term development and democratization.<sup>91</sup> According to Kawaguchi, Japan's policy priorities toward Myanmar consisted of three pillars: democratization, economic liberalization and social stability.<sup>92</sup> This did not necessarily mean that the Japanese government had substantially reoriented its foreign policy direction or actual policy implementation in relation to Myanmar. The Koizumi administration's perspective, however, was apparently much closer to one of critical engagement than Japan's default engagement based on historical bilateral friendship, even if its primary objective remained the pragmatic promotion of Myanmar's political and economic development.

MOFA remained in a position to coordinate Myanmar policy-making within the Japanese government during this period, though the politicization of the Myanmar problem and the participation of an increasing number of domestic actors sometimes made it difficult for MOFA to control the policy-making process. MOFA's basic perception of the Myanmar problem itself had been largely unchanged from the previous period whereas its perception of the international political and economic structure had gradually changed. In MOFA, there were growing concerns about the gap with the U.S. concerning strategic objectives and approaches toward East Asia, as well as concerns about the PRC's growing presence which could decrease Japan's prestige in the region. In addition, upon observing ASEAN's involvement of Indochina countries and Myanmar, MOFA considered Japan's new role from the mid-1990s was to bridge the ASEAN6 countries and the four newly acceding countries and to support a balanced development of Southeast Asian countries. The Asian Financial Crisis also made it necessary for MOFA to provide support for ASEAN to overcome the economic crisis and strengthen its cooperation framework, which would eventually enhance the partnership with ASEAN countries and enable Japan to maintain its presence in East

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<sup>91</sup> See Kawaguchi's response to LDP member Iwanaga Mineichi's question at the Foreign Affairs Committee in the House of Representatives on 11 June 2004.

<sup>92</sup> See Kawaguchi's response to DPJ member Ito Eisei's question at the Foreign Affairs Committee in the House of Representatives on 13 June 2003.



Asia.

Specifically regarding Myanmar, there emerged some different considerations within MOFA on both the policy measures to change the Myanmar problem and how to respond to the costs and benefits imposed by international structure. In order to encourage change in Myanmar, for example, Yamaguchi Yoichi, who served as Japanese ambassador to Myanmar from December 1995 to January 1998, explicitly advocated providing maximum assistance to the SPDC as the best way to support Myanmar's authoritarian developmental direction. Based on the assumption of SPDC goodwill for economic development and future democratization, he believed, this would thereby promote the historical bilateral relationship and distance Japan from Western double standards, (Yamaguchi, 1999: 1-120).<sup>93</sup> While Yamaguchi was the most explicit advocate of positive support for the SPDC, it was almost impossible for MOFA to employ sanctions, which were consistently regarded as a counterproductive measure to the Myanmar problem. At a more practical level, however, there was a sceptical view as to the effectiveness of limited ODA provision, including the Yangon airport and Baluchaung hydro power plant projects, in changing the SPDC's attitude toward domestic political reconciliation. During this period, therefore, MOFA kept searching for an effective and practical approach to change Myanmar's domestic political and economic situation. As such, MOFA perceived Khin Nyunt's initiative for domestic political reconciliation and international cooperation as an essential opportunity to make a positive change to the Myanmar problem, and to which the Japanese government should provide necessary support.

Responding to the changing international structure, there was concern within MOFA about causing friction with the U.S. if Japan were to engage proactively with the SPDC, particularly in combination with economic assistance for non-humanitarian

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<sup>93</sup> Yamaguchi seemed to have played a proactive role in mobilizing domestic actors when deciding ODA disbursement for the Yangon airport project in early 1998 (Yamaguchi, 1999: 127-135).

purposes. In considering the promotion of Japan's partnership with ASEAN and its international prestige in East Asia, nonetheless, it was necessary for MOFA to deal seriously with the Myanmar problem, which had increasingly become a controversial agenda item for ASEAN, not only in its relationships with Western countries but also in maintaining its own stability and credibility since the late 1990s. The SPDC's strengthening ties with the PRC since the late 1980s were also perceived as a challenge for Japan's default engagement policy by some MOFA officials because the PRC's unconditional support would undermine Japan's historical bilateral friendship and its efforts to encourage the SPDC to move toward domestic political reconciliation. Despite these changes in MOFA's perception of international structure, however, the continuation of the engagement policy line was the only practical direction for MOFA in order to tame structural pressures and to pursue the most desirable outcome for Japan's future international relations in a gradual manner. In other words, MOFA considered that an engagement policy line was the most balanced direction in hedging against all the major concerns connected to the U.S., ASEAN and the PRC. In the end, it was also the most preferable policy to actually change Myanmar positively and to earn maximum interest in international relations.

For METI, which had been attempting to promote and facilitate business-level interactions, it was still desirable that Myanmar move toward a liberal economy in order to achieve economic growth which could provide Japanese companies with promising business opportunities. Myanmar's economic downturn in the late 1990s and subsequent backslide to an interventionist economic policy became a major concern for METI. At the same time, METI officials worried about the international political economy because Myanmar's economic stagnation in the late 1990s apparently accelerated its excessive dependence on the PRC's economy and assistance.<sup>94</sup> Yet, due to political difficulties in expanding economic assistance to Myanmar, METI was faced

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<sup>94</sup> This, on the other hand, seemed to enable some METI officers to utilize the 'China threat' discourse within Japanese policy circles as a tool to mobilize domestic support.

with limited policy options. As such, METI searched for other policy options which could change Myanmar's economic situation while at the same time making efforts to implement the on-going yen loan projects that METI was in charge of.<sup>95</sup> At a political level, METI officials initiated Minister for International Trade and Industry Fukaya Takashi's visit to Myanmar in May 2000 to attend the ASEAN+3 Economic Ministers' Meeting at Yangon, and to meet Khin Nyunt. At a more practical level, METI officials acted positively for Prime Minister Obuchi's proposal to Than Shwe in November 1999 of the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy.

MOF still considered Myanmar's accumulated debt problem as a major risk for the credibility of its ODA policy. As Myanmar had already delayed debt repayment again in late 1997,<sup>96</sup> MOF became even more reluctant to disburse yen loans without the prospect of project completion and debt repayment. Increasing the amount of debts had caused some controversy in discussion on debt relief to developing countries at the G8 summit and other multilateral forums, so it was less problematic for MOF to provide grant aid rather than yen loans with little prospect of repayment. In fact, while disbursing yen loans to the Yangon airport project in 1998, the Japanese government pledged economic assistance for the Baluchaung hydro power plant project. This was originally a yen loan project but became a grant aid project in April 2001. In addition, right after this pledge, the Japanese government also notified the SPDC of the cancellation of all remaining yen loan projects as part of a re-examination of its overall ODA policy. These moves presumably reflected MOF's concern of the impact of the Myanmar problem on the credibility of its ODA policy.

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<sup>95</sup> Whereas the Baluchaung hydro power plant project continued as a limited grant aid project after an exchange of notes in May 2002, other remaining ODA projects that METI was in charge of were cancelled in 2001.

<sup>96</sup> See Director General of Economic Cooperation Bureau of MOFA Ohshima's response to DPI member Fujita Yukihiisa's question at the Foreign Affairs Committee in the House of Representatives on 28 November 1997.

On the whole, whereas the three main ministries still retained substantial influence over Japan's Myanmar policy-making, the politicization of the Myanmar problem in the international arena made Japan's political leaders recognize the necessity of conducting a more proactive Myanmar policy. Yet, the Japanese government's primary concern remained the encouragement of Myanmar's gradual and realistic development, which stemmed from its pragmatic perspective of Myanmar rather than a strategic one. While it recognized tougher constraints imposed by international structure in pursuing this pragmatic objective, the Japanese government still considered that an engagement policy was the most balanced and preferable line to follow, even if it was based on optimistic assumptions. Although the arguments over the 'China threat' or Japan's autonomous Asian policy were certainly concerns of many Japanese policy-makers, in the end such concerns never altered Japan's pragmatic objectives and engagement policy line toward Myanmar. Despite the diversification of concerns and discourse on Myanmar policy, therefore, the Japanese government's policy shift was couched in terms of how to approach change in Myanmar: Hashimoto and Obuchi promoted a default engagement policy based on an historical bilateral friendship and an authoritarian developmental perspective, while Koizumi was closer to a critical engagement policy in pushing the SPDC toward domestic political reconciliation.

### *5. Resource Mobilization*

The international politicization of the Myanmar problem heightened domestic debate about Japan's Myanmar policy in combination with debates on Japan's overall Asian policy direction in the post-Cold War era. Among politicians, whilst the JMPFL and those with personal friendships with the Myanmar military government gradually lost influence, the consensus to continue an engagement policy line was largely maintained among mainstream politicians, even if some emphasized the historical

bilateral friendship or authoritarian developmental perspective and others inclined to a more critical engagement line. At the same time, the politicization of the Myanmar problem within Japan's policy-making system presumably provided a certain amount of room for some domestic actors to play rent-seeking games in regard to ODA disbursements. During this period, emerging discourses including the 'China threat' and Japan's autonomous Asian policy became stronger in Japan's general foreign policy debates, and these discourses functioned to legitimize the governmental engagement policy toward Myanmar and mobilize domestic support for it. While the DMLSDM and related pro-democracy actors increased their critical voice against governmental policy, they were not necessarily coherent or decisive enough to promote a sanctions policy as an alternative. Even the mainstream politicians within this camp were apparently pursuing a line of critical engagement, which, at its core, was not too far from the government direction.

### *(1) The Diet and Politicians*

In the Diet, the Myanmar problem was repeatedly, if not intensively, raised as a discussion issue at the committee level, especially when the Japanese government had to decide on internationally controversial ODA provision. Some Diet members with a particular interest in Myanmar raised questions at the Diet from various viewpoints. In fact, there were critical voices against the government's engagement policy and controversial ODA provision even within the LDP. A younger LDP politician Kono Taro, for example, was highly critical of the ODA provision to both the Yangon airport project and the Baluchaung hydro power plant project, raising questions about the Japanese government's rationale for resuming ODA for those projects.<sup>97</sup> At the same time, some members of the DPJ, which had increased its presence in the Diet as the largest

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<sup>97</sup> See Kono's questions at the Foreign Affairs Committee in the House of Representatives on 1 April 1998 and on 1 June 2001.

opposition party during this period, were also interested in the Myanmar problem.<sup>98</sup> In July-August 2001, for example, DPJ member Suto Nobuhiko actually visited the site of the Baluchaung hydro power plant. On 6 June 2001, he had previously issued a *shitsumon shuisho*, or an official questionnaire to the government through the Diet, in order to ask about various concerns of the project. He subsequently shifted to a positive stance toward the project in his field report to the DPJ.<sup>99</sup> As a whole, however, political dynamics in the Diet did not have a substantial influence on the government's Myanmar policy-making, even if it did somewhat increase the cost of implementing controversial ODA provision.

Political party-level dynamics had relatively more impact on Japan's Myanmar policy. The LDP needed to pay certain attention to its coalition partners in the LDP-SDP-NPS coalition government, although it eventually collapsed in June 1998. Many leaders in the SDP and the NPS, such as Doi Takako, Takemura Masayoshi and Hatoyama Yukio emphasized the value for Japan of promoting Myanmar's democratization, and therefore maintained a critical stance against ODA provision to Myanmar if there was no progress in the democratization process. The SDP and the NPS were negative about the government's yen loan provision to the Yangon airport project, and refused to approve it at an extraordinary policy coordination meeting among the ruling parties on 26 February 1998 (MS, 27 February 1998). This certainly increased the political cost to the Japanese government of carrying out its policy, even if it did not become a critical obstacle in Myanmar policy-making under the political initiatives of Hashimoto and Obuchi. In deciding and implementing the Baluchaung hydro power plant project, on the other hand, politics within the LDP certainly did

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<sup>98</sup> A DPJ member Fujita Yukihiisa, for example, repeatedly raised questions on Myanmar policy. See Fujita's questions at the Foreign Affairs Committee in the House of Representatives on 5 December 1996, 16 April and 28 November 1997.

<sup>99</sup> See the DPJ's website available at <http://www.dpj.or.jp/news/?num=2687> (accessed 3 February 2010). Suto's *shitsumon shuisho* and the government's answer are also available on the website of the House of Representatives at [http://www.shugiin.go.jp/index.nsf/html/index\\_shitsumon.htm](http://www.shugiin.go.jp/index.nsf/html/index_shitsumon.htm) (accessed 23 February 2010).

become an obstacle. Although Minister for Foreign Affairs Kono Yohei acknowledged Japan's willingness to implement the project in April 2001, the implementation process became stuck at the discussion stage of the LDP Special Committee on External Economic Cooperation. This was reportedly due to rent-seeking activities competing over the acceptance of order of the project among foreign policy tribes (AS, 8 May 2002). In fact, the Special Committee reportedly allowed the project to be implemented only after the resignation of Chairman Suzuki Muneo in early 2002. This could be at least partly because, as was revealed around this period, the scandals of MOFA and foreign policy tribes, including Suzuki, substantially weakened the power of those foreign policy tribes (AS, 8 May 2002).

In terms of individual politicians, there emerged another politicians' group engaged in Myanmar policy-making which was explicitly supportive to the SPDC. In June 1998, the PLSMG chaired by Muto Kabun<sup>100</sup> was formed with the participation of about 30 LDP politicians (AS, 5 June 1998). Muto became especially proactive in support of the SPDC after his leave from the cabinet in September 1997.<sup>101</sup> According to a book based on an interview with Muto by a local newspaper, the *Gifu Shimbun*, Muto 'prepared' ODA provision for the Yangon airport project by 'negotiating with MOFA' before visiting Myanmar; that is, Muto pledged ODA provision to Khin Nyunt even before the Japanese government's formal decision in February 1998 (*Gifu Shimbunsha*, 2008: 250). In response to U.S. Ambassador to Japan Thomas Foley's criticism of Japan's ODA to the Yangon airport project, Muto emphasized Japan's intention to prevent regional destabilization and threats to India which could be caused

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<sup>100</sup> Muto served as Director-General of the Management and Cooperation Agency from November 1996 to September 1997, Minister for Foreign Affairs from April to August 1993, Minister for International Trade and Industry from February to December 1990, and Minister for Agriculture, Forestry and Fisheries before deeply committing himself to Myanmar policy-making.

<sup>101</sup> According to a book based on the *Gifu Shimbun's* interview with Muto, his commitment to Myanmar was motivated by Japanese Ambassador to Thailand Fujii Hiroaki's request that he visit Myanmar when serving as Director-General of the Management and Cooperation Agency (*Gifu Shimbunsha*, 2008: 249), although this did not necessarily explain his political motivation. Just as a note, Fujii left the position of Japanese ambassador to Thailand in January 1994 before Muto served as Director-General of the Management and Cooperation Agency.

by the PRC's increasing influence through economic and military assistance to Myanmar (Gifu Shimbunsha, 2008: 250-251). He also insisted that Western countries should understand Myanmar's difficulty in maintaining social stability which stemmed from the historical burden of the colonial-era; while at the same time he mentioned the necessity for the SPDC to realize that further yen loan disbursement by Japan depended on the progress of democratization (YS, 24 March 1998). Muto may also have contributed to Japan's decision to disburse ODA to the Baluchaung hydro power plant project, even though he had decided to stop contributing to Myanmar policy-making ever since Khin Nyunt's ouster in October 2004, which was seen as a sign of lost momentum in finding a solution to the Myanmar problem (Gifu Shimbunsha, 2008: 252).

The JMPEPL was supportive of the government's engagement policy. Kato Koichi was the Secretary-General of the LDP from October 1995 to July 1998, and in 1996 initiated an assistance project in the Kokang region of Shan State to eradicate poppy cultivation by substituting it for the Japanese *soba* or buckwheat plant.<sup>102</sup> Whilst the JMPEPL consisted of many mainstream LDP politicians, Kato's declining political power in the early 2000s meant that the JMPEPL lost one of the main drivers of its activities, even if Koga and other LDP politicians, especially those in the *Kochikai* faction, maintained the organization.

Meanwhile, the DMLSDM kept urging the Japanese government to play a constructive role in Myanmar's democratization, raising a critical voice against the government providing ODA without any substantial progress in Myanmar's domestic political situation. For example, on 27 February 1998, the DMLSDM issued a statement which required the Japanese government to make clear its stance on urging Myanmar's

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<sup>102</sup> This project was succeeded by the Association for Drug and Poverty Eradication in Asia, a non-profit organization established in 2005. See the association's website available at <http://www.geocities.jp/npoadpea/about.htm> (accessed 4 February 2010).



democratization and to consider the progress of democratization as a precondition for Japan's economic assistance to Myanmar.<sup>103</sup> Subsequently when Aung San Suu Kyi was released from house detention in May 2002, the DMLSDM made a statement valuing the SPDC decision to release her and the contributions of related actors including Razali and the Japanese government.<sup>104</sup> These statements indicate that, despite advocating the significance of Myanmar's democratization, the DMLSDM encouraged the Japanese government to utilize economic assistance as leverage against the SPDC rather than imposing sanctions.

While it increasingly consisted of non-mainstream politicians, the JMPFL continued to support the SPDC and explicitly advocated Japan's unconditional assistance; mainly from the viewpoints of historical bilateral friendship, an authoritarian developmental perspective, and antagonism towards Western double standards. Watanabe Hideo and Nishimura Shingo were especially active in this group. Being an NFP member at the time, Nishimura praised the Japanese government's decision of ODA resumption for the Yangon airport project even before the formal decision had been made. Nishimura believed that Japan held a responsibility for the project's completion and it would continue the positive relationship with a historically pro-Japanese country.<sup>105</sup>

## *(2) Business Sector*

In spite of Myanmar's economic downturn, the Japanese business sector still wanted to deepen its relationship with the SPDC as well as exploit business

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<sup>103</sup> See the BurmaInfo's website available at <http://www.burmainfo.org/oda/pdburma0.html> (accessed 22 August 2008).

<sup>104</sup> See the BurmaInfo's website available at <http://www.burmainfo.org/article/article.php?mode=2&articleid=234> (accessed 4 February 2010).

<sup>105</sup> See Nishimura's question at the Budget Committee in the House of Representatives on 27 February 1998. Nishimura was an explicit supporter of the SPDC, visiting Myanmar frequently and expressing his opinion on his blog.

opportunities in Myanmar. In the late 1990s, the *Keidanren* upgraded the Myanmar Study Group into the Myanmar Economic Committee, which was chaired by Marubeni Corp. President and CEO Toriumi Iwao. In cooperation with Myanmar's counterpart, it established the Japan-Myanmar Joint Economic Committee (JMJEC) chaired by Toriumi and SPDC minister David O. Abel (Keidanren, 1998).<sup>106</sup> On the occasion of the third committee meeting on 6 and 7 December 1999, which was held right after former Prime Minister Hashimoto's visit to Myanmar, Toriumi and other business leaders met with Than Shwe and other SPDC leaders to discuss Myanmar's business environment (Keidanren, 2000). With the establishment of the JMCCIBCC by the JCCI and the UMFCCI in March 1998,<sup>107</sup> Japanese business leaders' activities in the Japan-Myanmar relationship seemed to peak in the late 1990s.

Individual Japanese companies had also been active in finding new business, especially since the mid-1990s. Myanmar's economic downturn and the SPDC's interventionist response to it from the late 1990s, however, certainly worsened Myanmar's business environment for many Japanese companies. In addition, the Western governments' sanctions policy as well as public opinion critical of the SPDC in Western countries increasingly meant that Japanese companies operating in those countries ran some risk to their reputations. As a result, many Japanese companies gradually retreated from Myanmar from the late 1990s. For some companies which had already made initial investments in Myanmar, it became necessary to carry out debt collection, which ironically turned into a major *raison d'être* for the Myanmar branches of those companies.

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<sup>106</sup> The JMJEC held the second conference at Yangon in May 1998 and the third conference at Yangon in December 2000 (Keidanren, 2000; 1998).

<sup>107</sup> See the Tokyo Chamber of Commerce and Industry's website available at [http://www.tokyo-cci.or.jp/support\\_m/kokusai/kaigi/kaigi18.html](http://www.tokyo-cci.or.jp/support_m/kokusai/kaigi/kaigi18.html) (accessed 11 August 2008). The JMCCIBCC was later integrated into the Greater Mekong Sub-region Business Study Group in May 2002, which aimed at conducting research on the region including Vietnam, Cambodia, Laos, Thailand, Myanmar and the Yunnan Province of the PRC.

Japanese companies committed to remaining ODA projects kept lobbying for the resumption of economic assistance. When the Japanese government adopted a ‘wait-and-see’ position in late 1995 instead of moving toward the resumption of remaining ODA projects these companies strengthened their lobbying activities. Myanmar’s worsening economic performance and business environment from the late 1990s heightened the necessity of ODA resumption for the managers of these companies. In response they not only lobbied the Japanese government and concerned politicians but even the SPDC, including their advice in 1997 for the SPDC to send a request letter of yen loan resumption for the Yangon airport project to the Japanese government.

### (3) NGOs

The *Sasakawa* Peace Foundation (SPF) played a unique role in the Japan-Myanmar relationship during this period. Having originated as one of the foundations established by the Nippon Foundation,<sup>108</sup> which is currently chaired by Sasakawa Yoichi,<sup>109</sup> the SPF has conducted international activities as a non-governmental organization since its foundation in 1987. The SPF began to engage in Myanmar through the *Sasakawa* Southeast Asia Cooperation Fund (SSACF), which was established in 1992.<sup>110</sup> The SSACF recognized the necessity to include Myanmar in its operational scope from the beginning and from 1995 formed various projects based on four directions: inviting Myanmar to seminars on the ASEAN Free Trade Area (AFTA) as preparation for Myanmar’s accession to ASEAN; issuing policy recommendations for Myanmar’s domestic economic structural reform; deepening

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<sup>108</sup> Established by a political activist, Sasakawa Ryoichi, the Nippon Foundation is a unique foundation which is partly funded by the revenue of the publicly-operated motor-boat race business based on the Motorboat Racing Act.

<sup>109</sup> Sasakawa Yoichi is the third son of Sasakawa Ryoichi.

<sup>110</sup> The SSACF was established as a one region specific foundation under the SPF due to the recognition of the necessity to strengthen its activities to support Indochina countries’ reform and development in observing their moves toward economic development from the late 1980s. The SSACF retained 4 billion yen of contributions from the Nippon Foundation.

Myanmar's understanding of the ASEAN security framework; and, providing opportunities for political dialogue between the military government and the democracy camp (Sasakawa Peace Foundation, 2003: 21-24).<sup>111</sup> Presumably by utilizing Chairman of the Nippon Foundation Sasakawa Yohei's personal connections, the SPF also coordinated former Prime Minister Hashimoto's visit to Myanmar in December 1999, as well as former Prime Minister Mori's visit in April 2003 in its attempts to promote public diplomacy and to contribute to a breakthrough in Myanmar's political deadlock.

Some bilateral friendship organizations also established or expanded their activities during this period. One of the biggest Japan-Myanmar friendship organizations, the Japan-Myanmar Cultural Association, which was originally formed by around 2,000 war veterans, was renamed the Japan-Myanmar Friendship Association (JMFA) in 1997 through the efforts of Tsukamoto Koichi, a war veteran and the owner of Wacoal Corp., who wanted to carry out lobbying activities in support of the engagement policy line toward Myanmar (Pongyelar, 2007: 17). In addition, in late 1999, the MEMI, which was originally formed as the research section of Trans Techno., Co. Ltd. in 1996, became a non-profit organization with METI support for the purpose of conducting various research and information provision on Myanmar.<sup>112</sup> At the same time, two non-profit organizations were established with the participation of former Japanese Ambassador to Myanmar Yamaguchi during this period: the AMCWA in 2000 and TCM in 2003.<sup>113</sup> These organizations appeared to have close relationships and personal connections with some pro-engagement politicians, former bureaucrats and business leaders.

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<sup>111</sup> The SPF not only carried out functional cooperation projects in Myanmar but also organized conferences and symposiums in Japan and the U.S. in order to deepen understanding of the Myanmar problem (SPF, 2004; 2002).

<sup>112</sup> See the MEMI website available at [http://www.memi.gr.jp/about\\_memmi/index.html](http://www.memi.gr.jp/about_memmi/index.html) (accessed 5 February 2010).

<sup>113</sup> See the AMCWA website available at <http://amcwa.org/> and the TCM website available at <http://www.consul-myanmar.com/> (both accessed 5 February 2010).

*Rengo* was another organization which began to be engaged in the Myanmar problem. In line with the commitment of the ILO and international trade unions to Myanmar, *Rengo* recognized Myanmar as a significant agenda item in its international activities. *Rengo*'s basic stance was that the Japanese government should freeze ODA until all political prisoners were released and Myanmar's democratization was achieved.<sup>114</sup> In May 2001, for instance, *Rengo* appealed to MOFA not to provide ODA to the Baluchaung hydro power plant project; this was in line with the ILO's unprecedented call for a re-examination of the relationship with Myanmar in 2000 as well as an ILO report on forced labour related to the project.<sup>115</sup> *Rengo*'s activities seemed to be closely linked with the organizations of Myanmar residents in Japan and Japanese supporters. Established in 2000, the BOJ was financially supported by *Rengo* and provided information and intellectual contributions to it (Nemoto, 2007: 106-107). The main objective of the BOJ was to become an umbrella organization of the groups of Myanmar residents in Japan which remained generally small and fragmented but were raising critical voices against Japan's engagement policy. In addition, Myanmar residents in Japan and Japanese supporters carried out a number of cooperative activities which led to the establishment of an NGO called the PFB. The major link of these organizations with Japan's policy-making, if any, was in their lobbying of politicians, especially of the members of the DMLSDM and those who were politically backed by *Rengo*.<sup>116</sup>

Some humanitarian NGOs were established and expanded their activities in Myanmar during this period. While the SPDC's return to an interventionist policy

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<sup>114</sup> See *Rengo*'s website available at <http://www.jtuc-rengo.or.jp/kokusai/burma/index.html> (accessed 5 February 2010).

<sup>115</sup> See DPJ member Tani Hiroyuki's question at the Audit Committee in the House of Councilors on 11 December 2001.

<sup>116</sup> Some of these organizations also played an advocacy role by, for instance, providing information on their websites and organizing public symposiums. Mekong Watch, for example, invited MOFA's Director of the First Southeast Asia Division Takahashi Taeko and DPJ member Suto Nobuhiko as speakers to its public symposium on Japan's ODA and investment to Myanmar (Mekong Watch, 2001).

direction generally strengthened restrictions on the activities of humanitarian aid organizations, some Japanese humanitarian NGOs, such as the BAJ and the Association of Medical Doctors of Asia (AMDA), remained in Myanmar and continued their activities.<sup>117</sup>

#### *(4) Media and Public Opinion*

The Japanese government's decision to disburse yen loans to the Yangon airport project in early 1998 fuelled the debate on Myanmar policy among Japanese daily newspapers. The *Sankei* supported the government's decision as an appropriate measure because postcolonial countries in the process of nation-building tended to experience twists and turns on the path to democratization. The *Sankei* also mentioned three reasons for Japan to consider more substantial assistance toward Myanmar: to maintain its relationship with a pro-Japanese country that had joined ASEAN; to promote private investment; and, to respond to the SPDC's strengthening relationship with the PRC (SS, 27 February 1998). The *Yomiuri* observed that the Japanese government's decision to resume yen loans was directly motivated by the SPDC's move to alienate Japan, arguing that the government should explicitly explain Japan's strategic objective not to push Myanmar toward the PRC, and its original diplomatic approach to maintain direct contacts with both the SPDC and Aung San Suu Kyi (YS, 6 March 1998). The *Mainichi* emphasized Japan's frustration against the U.S. 'double standard' toward human rights in deciding to employ an autonomous policy direction alternative to 'cooperation with the U.S.'; yet it concluded that Japan needed to make clear the backbone of its autonomous policy (MS, 8 March 1998). The *Asahi* more explicitly criticized the government's timing of the resumption of yen loans when there seemed to be no change in Myanmar's domestic situation, insisting that yen loans should be used as diplomatic leverage to change the SPDC's attitude toward dialogue with the

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<sup>117</sup> On the BAJ's activities in Myanmar, see Araishi (2009).

democratic camp (AS, 27 February 1998).

Compared to the case of yen loan provision to the Yangon airport project, the decision to disburse grant aid for the Baluchaung hydro power plant attracted less attention from Japanese newspapers. Before the government's decision, the *Sankei* was suspicious that the PRC had indirectly provided economic assistance to the Baluchaung hydro power plant via Yugoslavia when Yugoslavia decided to repair the plant as an assistance project in December 2000 (SS, 22 December 2000; 19 December 2000). This argument seemed to be utilized by some bureaucrats and politicians as a rationale to extend ODA to Baluchaung in order to counterbalance the PRC's growing influence over Myanmar. The *Mainichi* was cautious about the government's ODA provision but it did not explicitly criticize it, pointing out that the Japanese government should increase transparency in implementing grant aid projects (MS, 8 May 2002).

## 6. *Domestic Policy-Making System*

The most distinctive characteristic of Japan's policy-making during this period was the way in which senior political leaders interacted with bureaucrats and other politicians and domestic actors. In accordance with the international politicization of the Myanmar problem, Japan's senior political leaders recognized the necessity to take initiatives in dealing with the Myanmar problem. In decision-making of ODA provision, in which the Diet and political parties had a relatively large amount of room for official and unofficial participation, political leaders' initiatives also allowed some freedom for domestic actors to play rent-seeking games by connecting their interests with the leaders' objectives. In making decisions about the direction of bilateral official contacts and other non-budgetary measures, in which the Japanese government generally had more autonomy in relation to other domestic actors, there was a shift in relationships

and coalitions amongst leaders and ministries. In both cases, however, Japan's Myanmar policy-making involved the initiatives of its political leaders, thereby enabling the Japanese government to carry out a more proactive engagement policy during this period.

Whereas it hesitated to restart the remaining ODA projects because of Myanmar's worsening political situation from late 1995, the Japanese government did seek opportunities to improve Myanmar's domestic situation and foreign relations, which would remove obstacles in the way of a friendly relationship between the two countries. Myanmar's accession to ASEAN was considered as one such opportunity for Prime Minister Hashimoto and Minister for Foreign Affairs Obuchi who began to take policy initiatives in a cautious manner. During a visit to ASEAN countries in January 1997, Hashimoto expressed to ASEAN leaders that Japan would appreciate Myanmar's accession to ASEAN as it would give Myanmar an incentive to act within international norms, whilst it "should not present a smokescreen to the autocratic rule back home" (MOFA, 1997a; 1997b). Obuchi had planned to visit Myanmar in March 1997, presumably for the purpose of conveying a similar message to the SPDC, though it was not realized in the end.<sup>118</sup> Subsequently, in response to the formal decision of Myanmar's accession to ASEAN, Director of Cabinet Councilors' Office on External Affairs Hirabayashi Hiroshi was dispatched to Myanmar in June 1997 to convey Hashimoto's letter to the SPDC, which mentioned the significance of promoting democratization and improving the human rights situation.<sup>119</sup> At a meeting with Khin Nyunt, he expressed concern for Myanmar's isolated position in international society and asked Myanmar to avoid inviting international criticism so as not to make an obstacle for Japan's cooperation with the SPDC. He also urged the SPDC to promote

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<sup>118</sup> See Obuchi's response to DPJ member Fujita Yukihi's question at the Foreign Affairs Committee in the House of Representatives on 28 November 1997.

<sup>119</sup> See Director General of Economic Cooperation Bureau of MOFA Ohshima's response to DPJ member Fujita Yukihi's question at the Foreign Affairs Committee in the House of Representatives on 28 November 1997.



democratization and ensure dialogue with Aung San Suu Kyi (Hirabayashi, 2008). Yet, the Japanese government was still cautious about its executive leaders having direct contact in this period. According to one report, even though the SPDC strongly requested a bilateral meeting at the informal ASEAN summit meeting in December 1997, the Japanese government declined, ostensibly due to a lack of time (MS, 12 January 1998).

The Japanese government moved to extend yen loans to the Yangon airport project during this period, although the project was limited to safety purposes. In late 1997, the Japanese government reportedly considered fully disbursing yen loans for the initial Yangon airport extension project agreed before 1988 (AS, 1 March 1998). According to one report, this was directly motivated by SPDC signs of alienation towards Japan and its strengthening of ties with the PRC, although, in 1997, it had requested the Japanese government to resume ODA provision to the Yangon airport project by limiting the project to safety purpose (YS, 6 March 1998).<sup>120</sup> Regardless of whether this was an SPDC diplomatic tactic or not, the Japanese government recognized the necessity of providing economic assistance in order to maintain the historical bilateral friendship as well as to avoid Myanmar's isolation which would result in an expansion of the PRC's presence. In deciding this policy, however, there were worries in the Japanese government, particularly within MOFA, about possible friction with the U.S. The Clinton administration, especially Secretary of State Albright, had become extremely critical of the SPDC since the mid-1990s, expressing a concern that Japan's yen loans would send the wrong message to the SPDC. The Japanese government, therefore, limited the Yangon airport project to safety purposes and reduced the scale of the project to approximately 10% of the one originally agreed so as to claim it was humanitarian assistance.<sup>121</sup> In addition, according to one report, the Japanese

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<sup>120</sup> See Director General of Economic Cooperation Bureau of MOFA Ohshima's response to LDP member Hase Hiroshi's question at the Investigation Committee on International Problems in the House of Councilors on 27 February 1998.

<sup>121</sup> A 27.1 billion yen loan for the Yangon airport project was agreed from 1984 to 1986 and

government waited to disburse yen loans for some time after January 1998 for the purpose of maintaining a positive Japan-U.S. relationship at that time (AS, 1 March 1998). In the end, the Japanese government notified the SPDC in February 1998 that it would provide limited yen loans for the Yangon airport project.

Subsequently, the Japanese government attempted to make the most of this ODA provision. When notifying Japan's decision to resume partial yen loans to the Yangon airport project, Parliamentary Vice-Minister for Foreign Affairs Komura Masahiko mentioned that the situation did not allow for the full implementation of the Yangon airport extension project or for the disbursement of new yen loans because of Myanmar's stagnating democratization process and delay in debt repayment (MS, 29 March 1998). In addition, Deputy Minister for Foreign Affairs Haraguchi Koichi was dispatched to Myanmar in late May 1998 for the purpose of conveying Hashimoto's letter to Khin Nyunt. Hashimoto emphasized that the yen loan disbursement to Yangon airport was a big decision for the Japanese government and he urged Myanmar to push forward the democratization process and improve the human rights situation. This indicates that Hashimoto and Obuchi expected the SPDC to show positive moves on the issues of democratization and human rights protection in response to Japan's yen loan provision. In other words, their intention was to make a change in the Myanmar problem based on bilateral mutual confidence rather than utilizing economic assistance disbursement for political leverage against the SPDC.

With little progress in the Myanmar problem despite Japan's ODA provision, there were another series of diplomatic actions under the Obuchi administration from 30 July 1998. In his capacity as a former Prime Minister, Hashimoto scheduled a visit to

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approximately 4 billion yen was disbursed by 1988. The decision in early 1998 was to provide a 2.5 billion yen loan only for the safety part of the original project plan. See Director General of Economic Cooperation Bureau of MOFA Ohshima's response to LDP member Hase Hiroshi's question at the Investigation Committee on International Problems in the House of Councilors on 27 February 1998.

Myanmar in December 1999 in response to a request from Sasakawa Yohei, the President of the Nippon Foundation. In parallel with this move, Obuchi decided to have an executive-level meeting for the first time in 15 years with Chairman Than Shwe at the ASEAN summit meeting at Singapore in November 1999. At this meeting, Obuchi proposed to set up a bilateral policy dialogue among government officers, academics and other intellectuals for the purpose of issuing policy recommendations for Myanmar's economic structural adjustment. Having been agreed by Than Shwe, this proposal led to the launch of the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy. After five workshops among the joint taskforce members from June 2000 to December 2002, a report was formulated with policy recommendations on the Myanmar economy.

The Baluchaung hydro power plant was another politically controversial project which reached an exchange of notes during this period, after Japanese policy-makers and concerned companies had actively advocated for its implementation, especially since the mid-1990s. As there was little improvement in Myanmar's domestic political situation, nevertheless, the Japanese government hesitated to implement the project.<sup>122</sup> However, the UN Secretary-General's Special Envoy to Myanmar Razali Ismail's mediation initiative to promote a political dialogue between the SPDC and Aung San Suu Kyi, which began in October 2000, was an opportunity for the Japanese government to consider implementation. In December 2000, it was reported in Japan that the SPDC had agreed with the Yugoslavian government that Yugoslavia would carry out the restoration of the Baluchaung hydro power plant, which the *Sankei* suspected to be the PRC's proxy assistance (SS, 19 December 2000; 22 December 2000). Moreover, the Japanese government probably expected that the new U.S. administration under Bush would take a more moderate stance toward the SPDC.

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<sup>122</sup> According to a newspaper report based on an interview with Muto Kabun, although it was decided to carry out Prime Minister Obuchi's initiative, this project could not be implemented because of pressure from the U.S. Department of State (SS, 22 December 2000).

Following these moves, in April 2001, which was near the end of the Mori administration, Minister for Foreign Affairs Kono Yohei notified Myanmar's Vice Minister for Foreign Affairs Khin Maung Win of Japan's intention to implement a limited repair of the Baluchaung hydro power plant as a three-year grant aid project totalling 3-3.5 billion yen.<sup>123</sup> The Japanese government made three compromises to the original project plan in the process of deciding the ODA provision: limiting the project to minimal repairs; providing grant aid rather than yen loans; and, dividing the project into three terms in order to observe the progress of Myanmar's domestic political reconciliation. At the same time, the Japanese government also decided to cancel all six remaining ODA projects, which came to around 10 billion yen (SS, 18 June 2001). Although these decisions were part of the Japanese government's re-examination of its overall ODA policy that was initiated by MOF rather than a specific policy toward Myanmar, they finally cleared the issue for the Japanese government of the remaining ODA projects in Myanmar.<sup>124</sup>

Despite dispatching two technical survey missions in August and November 2001, the new Koizumi government delayed the exchange of notes for this project until 10 May 2002 for several reasons. Firstly, the restart of political dialogue between the SPDC and Aung San Suu Kyi apparently had no substantial outcome until early 2002. Actually, the exchange of notes was finally carried out in May 2002 after the SPDC's release of Aung San Suu Kyi after 19 months of house detention. Secondly, Aung San Suu Kyi was critical of Japan's ODA provision to the Baluchaung hydro power plant. The President of the Japan Institute of International Affairs and former Vice-Minister for Foreign Affairs Owada Hisashi met with Aung San Suu Kyi at Yangon on 17 August 2001 for the purpose of asking for her understanding of Japan's intention in ODA disbursement (NS, 18 August 2001). Subsequently, she mentioned around the time of

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<sup>123</sup> See Minister for Foreign Affairs Kawaguchi Yoriko's response to DPJ member Suto Nobuhiko's question at the Foreign Affairs Committee in the House of Representatives on 24 April 2002.

<sup>124</sup> This, however, seemed to have a negative impact on Than Shwe's stance toward Japan in combination with the delayed implementation of the Baluchaung hydro power plant project.

her release that humanitarian aid which would directly benefit people's lives was acceptable insofar as it was transparent enough not to provide any special interest to the authority (MS, 8 May 2002). Thirdly, the U.S. also maintained a critical stance regarding Japan's ODA disbursement. In May 2001, U.S. Secretary of State Colin Powell mentioned in Congress that the U.S. government suggested that Japan's aid for the Baluchaung hydro power plant was "not a proper investment to be made at this time with this regime" (AFP, 17 May 2001). Lastly, as mentioned above, the project could not be implemented due to a breakdown in discussions at the LDP Special Committee on External Economic Cooperation (AS, 8 May 2002).

The Koizumi administration also began to conduct a proactive engagement policy so as to promote Myanmar's domestic political reconciliation. From late 2001 it utilized the implementation of the Baluchaung hydro power plant project as leverage against the SPDC. Bilateral dialogues concerning economic policy recommendations proposed through the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy, which had already finished the drafting process of the final report by spring 2002, were also utilized as a tool to encourage SPDC policy reform in combination with arguments showing Japan's possible support for it. The Japanese government actually considered providing some kind of support to the SPDC in return for economic structural reforms because it recognized that the SPDC would not implement the policy recommendations without Japan's substantial support.

Prime Minister Koizumi held a meeting with Than Shwe on 5 November 2001 at the ASEAN+3 Summit Meeting in Brunei Darussalam (MOFA, 2001). He also discussed Myanmar's domestic political issues in talks with Malaysia's Prime Minister Mahathir and Thailand's Prime Minister Thaksin during his visit to ASEAN countries in January 2002.<sup>125</sup> It was on 10 May 2002, right after the release of Aung San Suu Kyi,

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<sup>125</sup> See Prime Minister Koizumi's response to DPJ member Kinoshita Atsushi's question at the Audit and Administration Oversight Committee in the House of Representatives on 8 May 2002.

that the Japanese government finally conducted the exchange of notes with the SPDC on the Baluchaung hydro power plant project.<sup>126</sup> Subsequently, Minister for Foreign Affairs Kawaguchi visited Myanmar in August 2002 for the first time in 19 years as Japan's Foreign Minister. He called for the leaders of both camps "to advance 'policy dialogue in humanitarian areas' and to develop this to 'political dialogue'", mentioning Japan's willingness to support specific projects if those projects were agreed as a result of the dialogue between them (MOFA, 2002b).<sup>127</sup> Prime Minister Koizumi again met with Prime Minister Than Shwe on the sidelines of the ASEAN+3 Summit Meeting in Phnom Penh on 5 November 2002 (MOFA, 2002a). In order to push the SPDC to implement the policy recommendations of the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy, the Japanese government explained its decision to grant 273.5 billion yen of debt relief, including the principal and interest, at the last workshop on 22 December 2002 (AS, 23 December 2002).<sup>128</sup> The Japanese government also hosted a UN organized conference on the Myanmar problem in February 2003 in Tokyo.<sup>129</sup> In addition, former Prime Minister Mori visited Myanmar for three days from 29 April 2003 to convey Prime Minister Koizumi's letter to Than Shwe as well as to encourage the SPDC to promote both the democratization process and economic reform, including implementation of the economic policy package recommended in the final report of the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy (Chugoku Shimbun, 27 April 2003). Japan's attempts to make a positive change toward Myanmar's political and economic development, however, became stuck due to the Depayin incident on 30 May 2003.

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<sup>126</sup> On MOFA's official rationale for this ODA disbursement, see MOFA (2002c). In the end, however, the Baluchaung hydro power plant project was suspended midway due to the occurrence of the Depayin incident in May 2003.

<sup>127</sup> See Director General of Asian and Oceanian Affairs Bureau of MOFA Yabunaka Mitoji's response to Ohbuchi Kinuko's question at the Fiscal and Finance Committee in the House of Councilors on 26 March 2003.

<sup>128</sup> This, however, seemed to be not as much as the SPDC expected for Japan's assistance in implementing policy recommendations, even though the clearance of delinquent debt was considered as a necessary requirement for Japan's future yen loan disbursement.

<sup>129</sup> See Director General of Asian and Oceanian Affairs Bureau of MOFA Yabunaka Mitoji's response to Ohbuchi Kinuko's question at the Fiscal and Finance Committee in the House of Councilors on 26 March 2003.

Even after the Depayin incident, the Japanese government still sought opportunities to recover the situation. Prime Minister Koizumi met with Myanmar's Prime Minister Khin Nyunt when attending the ASEAN+3 Summit Meeting in October 2003, expressing Japan's worry about Myanmar's democratization and Aung San Suu Kyi's situation.<sup>130</sup> Despite suspending aid after the Depayin incident, the Japanese government decided to resume general grant aids for humanitarian purposes in January 2004 (Foresight, March 2004). The Japanese government also moved to settle the problem of Myanmar's attendance at the ASEM in 2004, about which a political conflict had occurred between the EU and ASEAN, by proposing a compromise to admit Myanmar at Foreign Minister-level attendance instead of Prime Minister-level (Ishida, 2008: 224-225). The Japanese government, however, regarded the ouster of Khin Nyunt as a sign of fading hopes for Myanmar's positive development; at least in the short-term. In more practical terms, as Khin Nyunt had been the SPDC's main contact person in bilateral dialogues, the Japanese government found it highly difficult to hold constructive bilateral talks with the SPDC after he left.

From the perspective of Japan's policy-making system, three characteristics of the decision-making process of providing ODA to Myanmar during this period can be identified. Firstly, decisions were largely initiated by senior Japanese political leaders. In the case of the Yangon airport project, Obuchi played a leading role in the decision-making process of this yen loan disbursement and Secretary-General of the LDP Kato proactively supported it in persuading the ruling parties to agree; SDP, NPS and even some LDP members opposed the yen loans disbursement, but Obuchi persuaded them by saying that he would explain Japan's stance to win the U.S. government's understanding. Obuchi discussed the Myanmar problem at a meeting with

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<sup>130</sup> See Deputy Director-General of Asian and Oceanian Affairs Bureau of MOFA Saiki Akitaka's response to Shimabuku Soko's question at the Special Committee on International Terrorism Prevention and Japan's Cooperation and Assistance Activities and Related Matters in the House of Councilors on 8 October 2003.

U.S. Secretary of State Albright in 1997, explaining Japan's willingness to carry out the Yangon airport project for humanitarian purposes.<sup>131</sup> When considering that the SPDC had delayed debt repayments to Japan at that time, which remained at more than 400 billion yen, this policy-making could be understood as a political decision rather than as a result of the bureaucratic process.<sup>132</sup> In the case of the Baluchaung hydro power plant project, the Mori administration followed the previous administrations' default engagement policy line, seeking an opportunity to make a change to the Myanmar problem. Razali's mediation efforts in Myanmar's domestic political reconciliation were, hence, considered as another opportunity. By emphasizing the significance of the start of dialogue between the SPDC and Aung San Suu Kyi's camp, Minister for Foreign Affairs Kono Yohei expressed willingness to support Razali's mediation initiative by making the most of Japan's position to be able to talk with both sides.<sup>133</sup>

Secondly, MOFA was somewhat ambivalent about these decisions but at least did not seem to strongly resist them. In the case of the Yangon airport project some MOFA officials recognized the necessity to take action. This was for the purpose of supporting the SPDC's efforts toward domestic nation-building and development which in turn would strengthen the historical bilateral friendship; and there was a need to respond to the changing costs and benefits imposed by international structure. On the other hand, some MOFA officials, including both those in charge of North American and Myanmar affairs, were apparently negative to this decision because of the predicted international repercussions, especially from the U.S. government. They also saw little prospect for a positive SPDC response to limited ODA resumption. In the end, however, MOFA generally moved in line with Obuchi's and other political leaders' initiatives. In

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<sup>131</sup> See Obuchi's response to DPJ member Fujita Yukihiisa's question at the Foreign Affairs Committee in the House of Representatives on 28 November 1997.

<sup>132</sup> See Director General of Economic Cooperation Bureau of MOFA Ohshima's response to DPJ member Fujita Yukihiisa's question at the Foreign Affairs Committee in the House of Representatives on 28 November 1997.

<sup>133</sup> See Minister for Foreign Affairs Kono's response to DPJ member Kinoshita Atsushi's question at the Foreign Affairs Committee in the House of Representatives on 8 November 2000.



the case of the Baluchaung hydro power plant project, in spite of ambivalent internal opinions, MOFA held certain hopes for Razali's mediation efforts and were willing to support them (YS, 26 May 2001).<sup>134</sup> Razali's indication that Japan's assistance would be supportive to his mediation role presumably made MOFA's executive officials feel relatively confident about the ODA provision. Having previously been in charge of the implementation of the project, some active and former METI officials were also largely proactive toward ODA provision.

Thirdly, individual politicians and concerned companies had also been actively lobbying for ODA resumption to the two projects since the previous period. They successfully connected with political leaders' initiatives for supporting Myanmar's nation-building and development. These two projects were given particular importance among all the on-going yen loan projects by concerned Japanese companies. Thus, for instance, in 1997 Japanese companies involved in the Yangon airport project advised the SPDC to request the Japanese government to resume ODA extension to the project. Also, there seemed to be some rent-seeking activities in deciding and implementing the ODA provision to Baluchaung. When considering that the ODA disbursements became possible only after the initiatives of Japanese political leaders, however, this factor should be considered only as a supportive rather than a main factor in Japan's policy-making system.

Japan's decision-making about the direction of bilateral official contacts and other non-budgetary measures was also involved in the political leaders' initiatives but showed slightly different characteristics from ODA provision. Firstly, it seems to be certain that Hashimoto and Obuchi as well as Koizumi and Kawaguchi initiated direct contact with Myanmar's political leaders. This was particularly the case in November

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<sup>134</sup> According to a report, a MOFA executive officer legitimated this ODA disbursement as strategic assistance, which was rare among Japan's foreign assistance, for the purpose of promoting Myanmar's political dialogue by the 'sunshine policy' (AS, 5 June 2001).

1999 when Obuchi held a meeting with Than Shwe, the first senior leaders' meeting in 15 years. It seemed that the offer of a meeting from the SPDC came not only through the official diplomatic route but also through unofficial ones, and in responding to this the *Kantei* initiated the decision to go ahead with the meeting. This was despite the fact that MOFA was not necessarily positive to a high-level contact which could result in pledging yet more ODA without any prospect of positive change in Myanmar.

Secondly, the idea of the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy appeared to come from a broader policy community. A source of this idea was the so-called 'Ishikawa Project' in Vietnam after 1995 which was a case in which Japan provided policy advice and assistance for the recipient country's economic structural reform. Some of the Ishikawa Project supporters, not only in the government but also outside, wanted to set up a similar policy dialogue with the Myanmar government. Another source was the World Bank's attempt to issue a formal report from 1998-99 on the Myanmar economy including policy recommendations, but this was not published due to the SPDC's disagreement about the content. With this in mind, MOFA recognized that a bilateral economic survey and dialogue could be an alternative possible policy measure. For MOFA, which had worried about the possibility that Obuchi would pledge ODA disbursement at the meeting with Than Shwe, the proposal of an economic policy dialogue was more acceptable as an alternative measure to bring about change in Myanmar. While the exact source to Obuchi remains unclear, the *Kantei* seems to have consulted about Obuchi's proposal to Than Shwe not only with MOFA but also other actors before the meeting in November 1999.

Lastly, in the early 2000s, MOFA played a proactive role in diplomatic efforts to change the Myanmar problem by closely cooperating with Koizumi and other senior political leaders. It was MOFA that initiated the implementation of the Japan-Myanmar

Cooperation for Structural Adjustment of the Myanmar Economy after Deputy Director-General of Asian and Oceanian Affairs Bureau Kono Masaharu's visit to Myanmar in March 2000.<sup>135</sup> Especially in the final stage of the project, MOFA attempted to utilize it as a tool to push the SPDC toward Myanmar's political and economic development. In coordination with the SPF's arrangements, during former Prime Minister Mori's visit to Myanmar in April 2003, MOFA made him encourage the SPDC to implement the policy recommendations. MOFA's proactive role based on a close relationship with political leaders, therefore, could be recognized as a distinctive characteristic of Myanmar policy-making during this period.

## *7. Conclusion*

During this period, there was little substantial change in the basic picture of the Myanmar problem despite the attempts of Khin Nyunt and other moderate pragmatists in the SPDC to promote domestic political reconciliation and an international cooperation policy line. Also, there emerged some significant changes in international political and economic structure surrounding the Myanmar problem. Such international structural changes, nonetheless, did not alter Japan's primary objective in Myanmar policy-making, which was to make practical and gradual changes toward Myanmar's political and economic development. This was partly because the fundamentally unchanged societal and transnational structure meant that the Japanese government considered it was necessary and more realistic to persuade the SPDC to take actions for gradual political and economic development rather than employ a radical approach. From this viewpoint, Khin Nyunt's policy initiatives and Razali's mediation efforts during this period were regarded by the Japanese government as hopeful ways to bring

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<sup>135</sup> Accordingly, METI and MOF assigned their officials at deputy director-general level to the project and a number of academics and intellectuals, including those who were committed to the Ishikawa Project, were also appointed as members of the taskforce. Around 30 Japanese delegates attended the first workshop at Yangon in June 2000 (YS, 26 June 2000).

about positive change in Myanmar.

At the same time, the international politicization of the Myanmar problem, particularly from the mid-1990s, made Japan's senior political leaders recognize the necessity of taking initiatives in Japan's Myanmar policy-making. From Japanese policy-makers' viewpoints, there were several common concerns in international structural changes during this period. Firstly, in shaping its Asian policy, the Japanese government needed to re-examine how to deal with the U.S., which had become the only superpower but was paying less attention to Asian affairs. Specifically on Myanmar, the U.S. strengthened a high-handed sanctions approach in an even more uncompromising manner, which was recognized as a counterproductive measure on Myanmar's political and economic development by the Japanese government. Secondly, the PRC's growing influence in East Asia with its successful conduct of a good neighbour policy became a worry for many Japanese policy-makers. As the PRC provided unconditional support to the SPDC, the Japanese government was apprehensive that it would undermine the historical Japan-Myanmar friendship as well as Japan's efforts to make a positive change to Myanmar's domestic situation. Thirdly, the Japanese government was concerned that the Asian Financial Crisis would harm the political stability and development of ASEAN, which was becoming an overarching regional framework in Southeast Asia. As Myanmar's economy experienced a serious downturn in the late 1990s, the Japanese government recognized the Myanmar problem as one of the major risks for ASEAN's stability and development.

The question for the Japanese government, therefore, was how to deal with the costs and benefits imposed by international political and economic structure in pursuing the primary objective in its Myanmar policy. Hashimoto and Obuchi chose a proactive commitment to a default engagement policy line based on historical bilateral friendship. In their view, it enabled Japan to pursue an autonomous Asian policy in contrast to the

counterproductive U.S. policy, and it supported ASEAN's stability and development as an Asian partner and thereby hedged against the PRC's growing presence in the region. Moreover, the Japanese government considered that by conducting a proactive engagement policy which could succeed in changing Myanmar's situation Japan would be able to increase its international prestige. Koizumi, on the other hand, slightly shifted to a critical engagement line by more clearly utilizing economic assistance as leverage against the SPDC. This was in combination with Razali's mediation attempts and the policy recommendations suggested by the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy, which was perceived as a clearly different direction from the PRC's unconditional support or the U.S. sanctions policy. Based on a close relationship with the U.S., the Koizumi administration dealt with the Myanmar problem as a major issue for the development of the Southeast Asian regional political system. From the Japanese government's viewpoint, making progress in Myanmar was, again, a measure to increase Japan's prestige in the international arena. In the end, an engagement policy line was regarded as the most balanced and preferable policy line for the Japanese government in dealing with international structural changes surrounding Myanmar.

In terms of domestic resource mobilization, a wider range of domestic actors began to participate in Japan's Myanmar policy-making. Especially when deciding internationally controversial ODA disbursements, the Japanese government experienced some difficulties in its relations with coalition partners and individual politicians carrying out rent-seeking activities. In addition, domestic discourse on Myanmar policy showed a broad spectrum from unconditional support to a pro-sanctions policy direction. Mainstream policy-making actors, however, basically supported the engagement policy line with some wanting to critically engage with Myanmar and some advocating more support based on historical friendship. Arguments about the 'China threat' or Japan's prestige in East Asia, regardless of which actors actually held them as their primary

motivation, functioned rather well in mobilizing the support of a broad range of domestic actors for the government's proactive engagement with Myanmar.

Japan's domestic policy-making showed a shift from bureaucratic politics to one of senior political leaders' initiatives. All Prime Ministers from Hashimoto to Koizumi appeared to participate in Myanmar policy-making more proactively than in the previous period. On the one hand, it enabled some domestic actors to conduct rent-seeking activities in the decision-making process of ODA disbursements. On the other hand, the Japanese government could conduct an engagement policy in a more proactive manner because of their political leaders' commitment to a Myanmar policy. Particularly in the early 2000s, a close coordination between these political leaders and MOFA enabled a series of relatively intensive diplomatic efforts.

To sum up, the international politicization of the Myanmar problem and changes in international structure forced Japan's senior political leaders to become more involved in Myanmar policy-making. Yet, it did not alter the Japanese government's primary objective to make gradual and practical changes toward Myanmar's political and economic development. Rather, proactive engagement was considered as the most balanced and preferable way for the Japanese government to pursue its pragmatic objectives within the costs and benefits imposed by the changing international political and economic structure. Still, it is noteworthy that the Koizumi administration conducted a proactive Myanmar policy in pursuit of developing a political system in Southeast Asia based on a close relationship with the U.S.; whilst the previous administrations pursued an autonomous Myanmar policy which emphasized bilateral friendship and the necessary evil of the SPDC's authoritarian rule based on the discourse of an Asian developmental state model. In the end, Japan's proactive engagement policy would have been the most preferable option for the Japanese government if it had led to any positive changes in the Myanmar problem during this

period; however, in reality this never happened.

## **Chapter 5**

### **From 2005 to 2008: Passive but Persistent Engagement**

#### *1. Overview*

This chapter covers the period from 2005 to 2008, when Japan's Myanmar policy experienced a serious difficulty due to the SPDC's accelerated isolationist and authoritarian direction after the ouster of Khin Nyunt in October 2004. During this period, the SPDC became more determined to pursue its own roadmap toward 'disciplined democracy' without paying much attention to domestic political reconciliation. This was primarily because the SPDC became more confident not only about the preservation of domestic stability but also about its enhanced invulnerability to Western countries' criticism and sanctions policy. In fact, the SPDC put less effort into gaining political and economic assistance even from Japan and ASEAN, focusing more on constructing pragmatic and cooperative relationships with the PRC and other less problematic countries. The SPDC prioritized the maintenance of domestic social and economic stability by strengthening its interventionist economic policy, which became a policy option largely because of foreign currency earnings from natural gas exports to Thailand and the PRC's material support. Accordingly, Myanmar's domestic problems remained unsettled, with some of them becoming even more serious, though the SPDC prevented them from becoming sources of social instability by consolidating its power over domestic opposition including the pro-democracy camp and ethnic minority groups.

Consequently, other governments did not reorient their basic policy directions but rather made them even more structuralized. After the Depayin incident in May 2003, the Bush administration went further toward a comprehensive sanctions policy despite



having supposedly taken a more moderate stance toward Myanmar than the previous Clinton administration. In addition, the U.S. and other Western countries' efforts to politicize the Myanmar problem at multilateral forums, especially at the UN Security Council, put substantial pressure on ASEAN and Japan. Due to the SPDC's successful maintenance of general macro-economic stability, however, the U.S. comprehensive sanctions rather undercut its leverage against the SPDC. Meanwhile, ASEAN found it increasingly difficult to deal with the Myanmar problem especially since the Bangkok process initiated by Thailand's Prime Minister Thaksin stalled. In fact, by recognizing its limitations in meaningfully influencing Myanmar's domestic situation, ASEAN attempted to coordinate closely with the UN in order to involve other related governments in dealing with the Myanmar problem. The PRC, on the other hand, further deepened its political and economic ties with Myanmar based on a close relationship with the SPDC and its substantial material support. Some other countries including India, Russia and North Korea also constructed pragmatic and cooperative relationships with the SPDC albeit in a low-key manner and with limited scope. The SPDC also consolidated its rule and control of societal and transnational structure. Although they had enhanced their activities globally, transnational pro-democracy networks had little influence on the SPDC primarily because Western governments had lost leverage over it.

The Japanese government faced serious difficulties in pursuing its pragmatic objective to make a positive change in the Myanmar problem after the Depayin incident and the ouster of Khin Nyunt. On the one hand, the Depayin incident disillusioned many Japanese policy-makers of the possibility of change in Myanmar problem by raising doubts about the SPDC's sincerity toward domestic political reconciliation and the maintenance of the Japan-Myanmar bilateral friendship. On the other hand, the disappearance of Khin Nyunt from the SPDC meant that the Japanese government lost an essential contact who had recognized the significance of international coordination,

thus it became necessary to deal with a military government which showed a further uncompromising posture. Whilst still generally regarding an engagement policy as the only pragmatic policy line for Myanmar's political and economic development, the Japanese government moved reluctantly from proactive engagement to a 'wait-and-see' position.

At the same time, the Japanese government needed to deal with increasing pressure from the U.S. and other Western countries. This was especially true at the UN Security Council where since 2005 the Myanmar problem had begun to be discussed in response to the proposal of the U.S. and the UK for Myanmar to be a formal agenda item for the Security Council. While still regarding sanctions as a counterproductive measure to deal with Myanmar, the Japanese government, as a non-permanent council member, could not protest against making the Myanmar problem a formal agenda item, especially when faced with U.S. pressure to approve its proposal. After voting for the proposal on 15 September 2006, the Japanese government began to utilize the discourse of '*taiwa to atsuruyoku*' (talk and pressure), which was originally created for the purpose of describing Japan's tougher stance toward North Korea. However, these changes did not appear to mean any substantial reorientation of Japan's pragmatic objective or its engagement approach toward the Myanmar problem. The Japanese government showed a risk-averse posture during this period, and waited for signs of improvement in both the Myanmar problem itself and the international structural environment, which would enable Japan to get back to more proactive engagement.

The Japanese government also experienced some transitions in its domestic resource mobilization during this period. Firstly, due to the declining short-term prospect of any substantial increase in Japan's ODA disbursement, rent-seekers' activities within the policy-making system were largely curtailed. Secondly, many Japanese companies, especially the larger ones, accelerated downsizing in Myanmar

because of serious difficulties in finding and continuing business as well as the increasing risk to their reputation in Western markets. Thirdly, the DMLSDM and pro-democracy groups enhanced their activities in response to internationally controversial incidents in Myanmar and some of them even called for sanctions. This was in contrast to many pro-engagement groups which became hesitant to act positively due to the weakening bilateral political friendship and the worsening image of the SPDC within domestic society. Fourthly, the authoritarian developmental state image of the SPDC gradually lost its credibility in Japan and was replaced by the image of a dictatorship, especially after the Myanmar authority's shooting of Japanese journalist Nagai Kenji in September 2007. These factors made it more difficult for the Japanese government to mobilize domestic support for a proactive engagement policy, although this was not crucial as many mainstream politicians still supported the engagement policy line, either in a friendly or in a critical manner.

Within Japan's domestic policy-making process, the Myanmar problem remained as one of the most important agenda items in Southeast Asian affairs. Japan's senior political leaders, thus, were kept informed about the development of the Myanmar problem though they did not make any distinct initiatives in Myanmar policy-making due to both pragmatic and structural difficulties. Frequent changes of cabinet members also prevented senior leaders from making any continuous political initiatives in Myanmar policy. Besides, METI's and MOF's decreasing stake in Myanmar policy made the policy-making system within the Japanese government less fragmented than in the previous period. As a result, Japan's Myanmar policy-making generally rested on the coordination of MOFA, which largely adopted a low-profile and risk-averse posture during this period.

## *2. Foreign Policy Agenda*

After the ouster of Khin Nyunt in October 2004, the SPDC clearly returned to an isolationist foreign policy as well as an interventionist economic policy. The SPDC maintained its authoritarian rule and domestic macro-economic stability, even though there were mass protests in September 2007 which occurred at least partly due to failures in economic management in the mid-2000s. Regarding the agenda of democratic legitimacy, the SPDC became more decisive in pursuing its own roadmap toward 'disciplined democracy' instead of seeking domestic political reconciliation. Whilst Aung San Suu Kyi and the NLD continued their political activities in appealing to the general public and international society, their political influence was restrained by the SPDC's oppression and its decreasing vulnerability to external factors, particularly the Western governments' sanctions policy. The SPDC also consolidated its control over the territory including the border areas which were once sites of frequent insurgency activities of ethnic minority groups. During this period, however, Myanmar's humanitarian situation worsened in some aspects, particularly in the border areas and for refugees and displaced persons. Yet, the SPDC was highly reluctant to accommodate international advice and assistance, let alone criticism, which would have a negative impact on its rule and domestic stability even at the time of the Cyclone Nargis disaster in April-May 2008.

In foreign policy, the SPDC accelerated its isolationist foreign policy direction despite maintaining a good relationship with the PRC and searching for pragmatic cooperation with other less problematic countries. Whilst concerned about the Western governments' sanctions policy and its impact on Myanmar's neighbouring countries' policies, the SPDC made minimal efforts to improve its relationship with the West. In addition, the SPDC put less emphasis on retaining material and non-material support from Japan and ASEAN countries than in the previous period. In other words, the SPDC

became much less willing to pay costs in retaining external support, especially concerning the issues of democratization and human rights protection, and thus focused on developing pragmatic and cooperative relationships with the PRC and other countries such as India, Russia and North Korea.

In economic policy, the SPDC became more confident about carrying out an interventionist economic policy primarily because its economic capacity was enhanced by natural gas exports to Thailand and deepening economic ties with the PRC. Yet, despite preserving domestic macro-economic stability, the Myanmar economy experienced some difficulties including a run on private banks in February 2003 as well as an increase in energy and food prices in the mid-2000s. This resulted in heightening public frustration and was at least partly a cause of the mass movement in September 2007. Actually, the U.S. import ban on products made in Myanmar in response to the Depayin incident damaged Myanmar's garment industry, which had been rapidly growing as a major exporter since the late 1990s, even though the ban did not have much impact on the SPDC's rule (Kudo, 2006a: 25-26). In the end, it rather contributed to making the Myanmar economy less vulnerable in the U.S. market. On the whole, the SPDC could maintain general macro-economic stability during this period in spite of the fiscal burdens of the capital relocation from Yangon to Naypyidaw from the summer of 2003 and the extremely high proportion of military spending in government expenditure.

Concerning democratic legitimacy, the SPDC showed almost no interest in reconciliation with Aung San Suu Kyi and the NLD, and pushed forward its seven-step roadmap toward 'disciplined democracy' in a decisive manner. From 2004, the SPDC intermittently held the National Convention in order to finalize the process of formulating a new constitution as one step in its roadmap. In doing so, the SPDC did not care about the absence of the NLD and again placed Aung San Suu Kyi under house

arrest after the Depayin incident. It also put efforts into coming to an agreement with major ethnic minority groups. In September 2007, a domestic mass movement spread not only among the general public but also Buddhist monks, who had previously strictly avoided any political activities. The SPDC responded oppressively, again showing its will and capability of preserving domestic rule by coercion as well as pushing forward its own roadmap. After discussing the new constitution at the National Convention, the SPDC held a constitutional referendum on 10 May 2008, though it was postponed until 24 May in areas hit by Cyclone Nargis. This officially resulted in a turnout of more than 98% with more than 92% approval. This indicated that, while it ended its extralegal status by transferring power to a civilian government, the SPDC intended to preserve and institutionalize the military's control over the government through the new constitution. In other words, the SPDC focused on establishing formal legal legitimacy and maintaining domestic stability but paid almost no attention to gain democratic legitimacy in the eyes of international critics and the domestic opposition.

In terms of human rights, the SPDC became even more indifferent to international criticism after the downfall of the moderate pragmatists within the SPDC. The military's presence was expanding in the border areas where many ethnic minority residents lived. It was necessary for the military to sustain its organization and build up local infrastructure by itself as it did not have sufficient financial support from the government. This resulted in forced labour and other compulsory contributions (Pedersen, 2008: 8). Human rights, especially political rights, were also restricted by the SPDC which prioritized the preservation of domestic political stability over human rights protection or international coordination.

In dealing with domestic insurgencies, the SPDC had steadily consolidated its control over the territory based on increased material capabilities and the enforcement of ceasefire agreements with all the major ethnic minority groups except for the KNU.

The KNU was the only major ethnic minority group that continued fighting against the SPDC but gradually lost its capability to carry on an armed struggle (Pedersen, 2008: 6). In other words, the SPDC successfully maintained its territorial integrity if not national political unity, and retained the participation of the major ethnic minority groups except for the KNU in the SPDC-led process toward 'disciplined democracy', even if this was based on power and interests rather than legitimacy. Meanwhile, the problems of migration and refugees became increasingly serious in the border area with Thailand. Because the SPDC had strengthened its military operations in the Karen State since 2006, a number of Karen people became displaced persons in Eastern Myanmar or refugees in other countries, especially in Thailand; though the SPDC officially regarded Karen refugees as voluntary emigrants for economic reasons.<sup>136</sup> Cyclone Nargis highlighted the humanitarian problems in Myanmar. According to one SPDC officer, around 78,000 people died, 56,000 people went missing, 20,000 people were injured and 1,169,000 people were severely affected when Cyclone Nargis hit South Western Myanmar on 2 and 3 May 2008 (Myanmar Focus, 2008: 3). What is more, the SPDC's response to this disaster invited widespread international criticism due to its belated actions for disaster relief, its initial negative stance to accept foreign personnel for disaster relief, and that it conducted the constitutional referendum in spite of the disaster.

In sum, the SPDC became more determined to pursue its domestic political objective by consolidating its power over the domestic opposition and by reducing its vulnerability to the pressures of international critics. At the same time, as it strengthened its isolationist foreign policy and interventionist economic policy, the SPDC dealt with Myanmar's domestic problems primarily by coercion and oppression rather than by

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<sup>136</sup> Although it is difficult to capture the actual number, the Thailand Burma Border Consortium (TBBC), an NGO supporting refugees and displaced persons at the border area, estimated that, at the end of 2008, around 500,000 were internally displaced in Eastern Myanmar and around 150,000 were staying in refugee camps in Thailand. See the TBBC's Programme Report July-December 2008 available at <http://www.tbbc.org/resources/2008-6-mth-rpt-jul-dec.pdf> (accessed 22 March 2010).

negotiation and political reconciliation. As a result, the Myanmar problem became a further controversial issue in the international arena but, ironically, the more that Western governments and other actors were explicitly critical of the SPDC the more difficult it became to influence its behaviour. In addition, the SPDC's pursuit of domestic stability by force further worsened the domestic humanitarian situation as well as the situation of refugees and displaced persons, which came to be often raised as significant problems within international society.

### *3. International Structure*

The SPDC's obviously oppressive and uncompromising responses to domestic problems, particularly since the Depayin incident, invited more widespread criticism of the SPDC by international society. Having carried out a comprehensive sanctions policy against the SPDC, the U.S. attempted to change the SPDC's attitude toward democratization and human rights protection by pressuring Japan and ASEAN countries as well as utilizing the UN Security Council in cooperation with other Western governments. As a result, while generally maintaining an engagement policy toward Myanmar, ASEAN countries increasingly recognized Myanmar as an annoying internal problem which would decrease ASEAN's unity and credibility as a regional political framework. The PRC, on the other hand, further developed its close ties with the SPDC, through strengthening political and economic interactions as well as providing material and non-material support. To a lesser degree, Thailand, India, Russia and North Korea also constructed cooperative relationships which enabled the SPDC to hedge against excessive dependence on the PRC as well as preventing its complete isolation in foreign relations. In terms of societal and transnational structure, the SPDC's increased material capabilities further enhanced its primacy over the NLD and ethnic minority groups. Myanmar nationals and their supporters in other countries expanded their organizations



and constructed transnational networks but did not have any effective leverage against the SPDC in the end. From the SPDC's viewpoint, these international structural changes meant that its vulnerability to international criticism and pressures had been largely reduced not only by constructing pragmatic and cooperative relationships with the PRC, Thailand and other countries but also by consolidating its power in societal and transnational structure.

The U.S. and other Western countries attempted to strengthen pressure on the SPDC despite having less leverage against it during this period. The U.S., which had employed a comprehensive sanctions policy in response to the Depayin incident, moved to place further international pressure on the SPDC by utilizing the UN Security Council and influencing those countries having a close relationship with Myanmar, including Japan and ASEAN countries. For example, the U.S. made clear that it was unacceptable for Myanmar to act as ASEAN's chair country and this would have a negative impact on the U.S.-ASEAN relationship. Essentially, the U.S. regarded Myanmar as a test case to judge which countries shared its values and standards on the issues of democracy and human rights protection.<sup>137</sup> From 2005, the U.S. began to make efforts to discuss the Myanmar problem at the UN Security Council, at least partly for the purpose of involving the PRC, the SPDC's major supporter, into international efforts to address the problem (Pedersen, 2008: 42-43). Having succeeded in including Myanmar as a formal agenda item by majority vote on 15 September 2006; however, at the UN Security Council in January 2007 the U.S. could not retain the approval of Security Council members for its proposal of a resolution urging the SPDC to take action for domestic political reconciliation, democratization and human rights protection. Whereas the EU as a whole maintained a 'smart' sanctions policy, the UK and some

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<sup>137</sup> Secretary of State Condoleezza Rice included Myanmar in six examples of 'outposts of tyranny' within a submission to the U.S. Congress in 2005, explicitly labeling it as one of the main countries infringing the values of democracy and human rights. President Bush also raised Myanmar as an example of a country without freedom in his State of the Union speech in January 2006, as well as an example of a country of tyranny when reaffirming the Bush doctrine in March 2006.

other members became proactive in pressuring the SPDC in line with the U.S. The UK Labour government, which had been facing strong domestic pressures to impose a unilateral investment ban, acted with the U.S. government in making the Myanmar problem a formal agenda item for the UN Security Council.

In response to Myanmar's protest movement in September 2007 and the SPDC's forced constitutional referendum after Cyclone Nargis in May 2008, the U.S. further heightened its criticism of the SPDC.<sup>138</sup> Many Western governments also pressured the SPDC to accept foreign personnel for disaster relief after Cyclone Nargis. In the end, however, neither the U.S. nor the EU could exercise any effective influence on the SPDC's attitude toward democratization and human rights protection. As a result, the U.S. administration began considering more practical approaches such as forming a multilateral framework for Myanmar involving the PRC and other related countries, yet it did not take any distinctive actions during this period.<sup>139</sup>

For ASEAN, the Myanmar problem became an increasingly annoying issue for its own management and development as a regional political framework. Although Myanmar was to be ASEAN's chair country from late 2006, there emerged a number of increasing voices from Western governments and from within ASEAN itself demanding that Myanmar should not be given the chair. For instance, the ASEAN Inter-Parliamentary Myanmar Caucus (AIPMC), which was established in November 2004 by parliamentary members of ASEAN countries insisting on Myanmar's democratization, urged Myanmar not to take the chair's role. In the end, this issue was settled by Myanmar Foreign Minister Nyan Win's announcement in July 2005 to excuse

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<sup>138</sup> Since around this period, First Lady Laura Bush also began to commit herself to the Myanmar problem, visiting Myanmar refugees in the border area of Thailand in August 2007 as well as making statements to criticize the SPDC's oppressive rule especially after the mass movement in September 2007.

<sup>139</sup> Michael Green, who advocated a multilateral approach toward the Myanmar problem, was named by Bush as special representative and policy coordinator for Myanmar in November 2008. On Green's idea of a multilateral approach toward Myanmar, see Green and Mitchell (2007).

Myanmar from the role of chair country. In addition, from the mid-2000s Myanmar became a major problem in ASEAN's move to formulate the ASEAN Charter because it was regarded as a test case of ASEAN's credibility in addressing internal problems. In November 2005, ASEAN countries formally agreed on the intention to draft an ASEAN Charter as part of the process toward the establishment of an ASEAN Community by 2020, and decided to sign the ASEAN Charter at the ASEAN summit meeting in November 2007. In this process, however, ASEAN recognized the Myanmar problem as a serious dilemma which would, on the one hand, sacrifice its unity if it intervened too much in Myanmar's domestic affairs but, on the other hand, decrease its credibility if it were unable to address the problem appropriately. In the end, despite including democracy, human rights and the rule of law as its fundamental principles, ASEAN decided not to modify the fundamental principle of non-intervention and consensus-based decision-making in the ASEAN Charter, even though it did agree on the establishment of an institution dealing with internal human rights issues.

In dealing with the Myanmar problem itself, some ASEAN political leaders took action even if this did not produce any significant outcome. Thailand's Prime Minister Thaksin promoted pragmatic cooperation with Myanmar and initiated the Bangkok process after the Depayin incident, but he became less active in taking further initiatives after the ouster of Khin Nyunt in October 2004. Instead, at the ASEAN summit meeting in December 2005, Malaysia's Foreign Minister Syed Hamid proposed to dispatch a mission to monitor the progress of Myanmar's democratization. Myanmar's Prime Minister Soe Win mentioned an invitation, however, Syed Hamid could not realize his visit to Myanmar until late March 2006 nor could he meet Aung San Suu Kyi or Than Shwe during his stay. Indonesia's President Yudhoyono also visited Myanmar in early March 2006, explaining to Than Shwe Indonesia's experience of democratization and proposing assistance and advice on Myanmar's path to democracy, yet this too ended in vain.

Responding to Myanmar's domestic mass protests, ASEAN attempted to involve major related countries in its efforts to engage with the SPDC in coordination with the UN. ASEAN held a special ministerial meeting at the UN Headquarters in New York after the mass movement started, issuing an extraordinarily strong statement on Myanmar's domestic situation on 29 September. Subsequently, Singapore as the chair country moved to retain the assistance and cooperation of the PRC, India and Japan in the ASEAN-UN diplomatic efforts to settle Myanmar's domestic situation and attempted to set up a reporting session of the Undersecretary-General of the UN Ibrahim Gambari on Myanmar affairs at the EAS. Gambari's report was not realized because of Myanmar Prime Minister Thein Sein's strong opposition and so ASEAN did not take any coordinated action other than issuing the chair's statement on Myanmar at the ASEAN summit meeting in November 2007.

ASEAN sought to cooperate closely with the UN and to involve major related countries in dealing with the disaster of Cyclone Nargis, thereby playing a coordination role in international society. At the special ASEAN Foreign Ministers' meeting on 19 May 2008, ASEAN decided to initiate the distribution of emergency materials as well as call on the SPDC to accept foreign personnel for disaster relief. Subsequently, ASEAN and the UN jointly organized a pledging conference for Myanmar's cyclone disaster in Yangon on 25 May, at which it was also decided to form the Tripartite Core Group consisting of the Myanmar government, ASEAN and UN agencies for the purpose of coordination among the three and assistance for Myanmar's rehabilitation plan. After the conference, ASEAN Secretary-General Surin Pitsuwan also expressed the idea of launching a humanitarian task force consisting of 24 members from all the ASEAN countries and the ASEAN Secretariat. Overall, having recognized its own limits in influencing the SPDC, especially in terms of democracy and human rights protection, ASEAN sought closer cooperation with the UN and the involvement of major related

countries in dealing with Myanmar.

The PRC, on the other hand, further strengthened its pragmatic ties with the SPDC, although it did appear to become somewhat uncomfortable in being criticized for its support of the SPDC's oppressive rule, especially after the occurrence of Myanmar's mass protest movement in September 2007. The PRC government successfully maintained its close political relationship with the SPDC based on frequent exchanges of senior leaders during this period.<sup>140</sup> The PRC also provided economic assistance and concessional loans, particularly for Myanmar's infrastructure projects in which Chinese companies and workers participated. These included hydro power plant construction which was an urgent necessity for the SPDC in expanding its electricity capacity and keeping energy prices low to preserve social stability. The PRC also sought energy resources from Myanmar and set up access routes to the Indian Ocean and to India and Southeast Asian countries, presumably for economic and military reasons. Chinese energy companies gained the mining rights in a number of prospecting areas in Myanmar's offshore gas field, especially from the mid-2000s, and CNPC exchanged a memorandum of understanding with MOGE in February 2006 on pipeline construction from Rakhine State, a state in Western Myanmar facing the offshore Shwe gas field, to Yunnan Province in the PRC. Even so, the PRC was apparently somewhat annoyed by SPDC oppression of demonstrators in September 2007 and, thus, urged the SPDC to show self-restraint, presumably because if it did not this would lead to international criticism of the PRC's support for the SPDC and in turn of the PRC's own domestic human rights issues. This is more or less what actually happened prior to the Beijing Olympic Games in 2008. While refusing to pass any formal resolution at the UN Security Council or to violate the principle of non-intervention in Myanmar's domestic issues, the PRC recognized its stake in managing the Myanmar problem properly and

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<sup>140</sup> When Myanmar's Prime Minister Soe Win visited the PRC in February 2006, for example, both governments agreed on bilateral cooperation in electricity power plant construction and the development of various natural resources.

avoiding any excessive politicization in the international arena.

Other countries also constructed pragmatic and cooperative relationships with the SPDC. Having carried out its 'Look East' policy since 1992, India sought to improve its relationships with ASEAN countries including Myanmar in a number of pragmatic areas.<sup>141</sup> India seemed to have several major motivations to improve its relationship with the SPDC: to retain cooperation for addressing domestic anti-governmental movements at the border area with Myanmar; to seek access to Myanmar's natural resources and agricultural products; to set up a gateway to Southeast Asian and Chinese markets; and, to hedge against the PRC's growing presence over Myanmar. The Indian government, however, made relatively low-key and limited efforts for strengthening the bilateral relationship, especially when compared to the PRC, mainly because of its ambivalence and lack of urgency in doing so in spite of international controversy. North Korea normalized its relationship with Myanmar in April 2007, agreeing on military equipment procurement to Myanmar in return for food provision. Russia also agreed with the SPDC on the joint construction of a research centre for nuclear energy development in Myanmar in May 2007.

The UN continued attempting to assist Myanmar's domestic political reconciliation. After Razali resigned the position as the UN Secretary-General's special envoy to Myanmar in January 2006, the UN Undersecretary-General Ibrahim Gambari began to take over the mediation role in representing the UN Secretary-General. Gambari held meetings with Aung San Suu Kyi and Than Shwe when visiting Myanmar in May 2006, but was unable to meet Than Shwe during his next visit in November

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<sup>141</sup> India agreed on creating a free trade area with ASEAN as well as joining the TAC in 2003. In addition, both Myanmar and India are members of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), a sub-regional cooperation framework among Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand originally established in June 1997, as well as the Mekong-Ganga Cooperation (MGC) to increase functional cooperation in tourism, culture, education and transportation among Cambodia, India, Laos, Myanmar, Thailand and Vietnam established in November 2000.

2006. In between these two official trips, Gambari visited a number of ASEAN countries, India, the PRC and Japan to ask for their support. Gambari also visited Myanmar several times after Myanmar's mass protests in September 2007, yet apparently without producing any significant outcome. The UN also acted in response to the disaster of Cyclone Nargis in May 2008. On 10 May, the UN announced an estimated \$187 million of necessary assistance through the consolidated appeal process (CAP) in cooperation with NGOs and then organized a pledging conference for disaster relief in coordination with ASEAN on 25 May. In addition, during his visit to Myanmar on 22-23 May, the UN Secretary-General Ban Ki-moon persuaded Than Shwe to accept international assistance personnel.

At the same time, the UN Security Council became the arena of an international political game over Myanmar due to the attempts since 2005 of the U.S. and the UK to raise it as a formal agenda item. After approving an informal briefing on Myanmar by Gambari in December 2005, the UN Security Council decided to make the Myanmar problem a formal agenda item on 15 September 2006 with ten votes in favour versus four opposed and one abstention: the PRC, Russia, Congo and Qatar voted against, while Japan and the Philippines approved. In January 2007, however, the proposal of a resolution urging the SPDC to move toward domestic political reconciliation, democratization and human rights protection was disapproved at the UN Security Council due to the vetoes of the PRC and Russia, which refused to regard Myanmar as a threat to international peace and security, which was the mandate of the UN Security Council. Subsequently, the UN Security Council discussed Myanmar as an urgent agenda item in response to Myanmar's mass movement, resulting in adopting the President's statement on 11 October 2007. Yet without passing any formal resolution, this series of discussions at the UN Security Council put direct and indirect pressure on related countries' positions toward Myanmar as well as requiring the UN to commit to the Myanmar problem, including the formal requirement for the UN Secretariat to

provide regular reports on Myanmar to the Security Council. Having exercised their veto over the proposal of a formal resolution in January 2007, in the end the PRC and Russia also regarded the UN Secretary-General's mediation activities for Myanmar's domestic political reconciliation as a more appropriate approach to the problem (Pedersen, 2008: 43-44).

In terms of international political structure, the efforts of the U.S. and other Western governments to pressurise the SPDC increased the costs for Japan and ASEAN countries in providing political support to the SPDC. Moreover, ASEAN became disillusioned with the SPDC's sincerity for domestic political reconciliation and human rights protection as well as its own ability to influence the SPDC's policy direction. Meanwhile, the PRC kept providing material and non-material support for the SPDC even if it was uncomfortable about the increasing number of international accusations against it. The SPDC's pragmatic and cooperative relationships with other countries including India, Russia and North Korea contributed, at least to some extent, to hedge against its isolation in international relations as well as excessive dependence on the PRC. In the end, the SPDC successfully decreased its vulnerability to international criticism and sanctions in accordance with its reducing dependence on unfriendly countries and tighter grip over the domestic economy and society.

In terms of international economic structure, the SPDC also became less vulnerable to Western governments' economic sanctions. In fact, the U.S. comprehensive sanctions policy after the Depayin incident ironically enhanced the autonomy of the Myanmar economy, which absorbed the shock of the rapid decline in garment exports due to the U.S. trade ban. The SPDC's interventionist economic policy and Myanmar's unimproved business environment, together with international criticism of the SPDC which increased the risk to the reputations of transnational companies doing business in Myanmar, resulted in a low level of Myanmar's cross-border



economic interactions. Yet, the SPDC could earn foreign currency by natural resource exports, especially natural gas to Thailand, and it could maintain trade and investment relationships with the PRC and other neighbouring countries. By putting a low priority on economic growth, in the end the SPDC could maintain general macro-economic stability by managing economic relations with neighbouring and friendly countries even if it still worried about excessive dependence on the PRC.

In societal and transnational structure, the SPDC further strengthened its dominance of the local power configuration by expanding its military capability and consolidating its control over the territory. The NLD and Aung San Suu Kyi had less leverage over the SPDC not only because of the SPDC's oppression but also because Western governments had less leverage over the SPDC. Although it was largely unsupportive of the SPDC, Myanmar's general public could not change the SPDC's policy direction in spite of conducting a large-scale mass movement in September 2007, which even involved many Buddhist monks. Transnational networks of Myanmar nationals and their supporters in other countries continued to protest against the SPDC and urged other governments not to support it. They became stronger and more widespread though their leverage against the SPDC had largely decreased in parallel with Western governments' declining influence.

#### *4. Policy-Makers' Perceptions*

During this period, Japan's senior political leaders became less proactive in Myanmar policy-making even though they were still being informed about the development of the Myanmar problem and were involved in decision-making due to its increasing international political controversy. METI still recognized Myanmar's economic potential in the mid- to long-term and that it could provide business

opportunities for certain industries such as garment manufacturing and natural resources, but it acknowledged that significant short-term prospects for the improvement of Myanmar's economic and business environment had been lost. MOF also held little stake in Myanmar policy-making because ODA provision beyond small-scale humanitarian projects was not considered as a serious policy option during this period as Myanmar's accumulated debt problems still remained as one of MOF's concerns. As such, the making of Myanmar policy within the Japanese government largely rested on MOFA's coordination during this period.

MOFA also recognized difficulties in dealing with the SPDC because Khin Nyunt's ouster in October 2004 meant that the Japanese government had lost the main contact person among SPDC leaders who had positively dealt with democracy and human rights protection in response to assistance and advice from international society. The Depayin incident also made it clear that the SPDC could easily take action which would harm Japan-Myanmar's bilateral friendship and decrease Japan's efforts for Myanmar's political and economic development. In addition, MOFA perceived tougher international structural constraints in continuing the engagement policy line, especially at the UN Security Council, at which the U.S. and the UK had moved from 2005 to make the Myanmar problem a formal agenda item. Whilst basically negative to their proposal, on 15 September 2006, the Japanese government decided to vote for it from both pragmatic and strategic considerations. On the whole, the Japanese government under MOFA's coordination generally reverted to a wait-and-see position in relation to the Myanmar problem, yet it still regarded the engagement policy as the most desirable and only practical approach for Myanmar's political and economic development. At the same time, however, the Japanese government was still willing to play a proactive role when it recognized an opportunity to make a positive change without little structural cost, as observed in its response to the Cyclone Nargis disaster in May 2008.

Among Japan's senior leaders, some were motivated to play a role in the Myanmar problem. Whereas the Koizumi administration became less proactive in its Myanmar policy, especially after late 2004, Abe Shinzo, who was appointed as the Chief Cabinet secretary of the third Koizumi Cabinet in October 2005 and who later served as Prime Minister from September 2006 to September 2007, had a personal attachment to Myanmar ever since his visit to Myanmar in 1983 as his father's secretariat.<sup>142</sup> Whilst propagating 'value oriented diplomacy', Abe apparently preferred to adopt a friendship engagement policy rather than shift to a sanctions approach. After becoming Prime Minister in September 2007, Fukuda Yasuo attempted to promote '*kyōmei gaikō*' (synergy diplomacy) which aimed at synergizing the Japan-U.S. alliance and Japan's Asian policy as well as conducting a proactive Asian policy. As the Myanmar problem was recognized as a test case for '*kyōmei gaikō*' by the Bush administration (MS, 25 November 2007), Fukuda was seemingly willing to play a mediation role between the U.S. and the SPDC, particularly when the SPDC was highly reluctant to accept foreign personnel for disaster relief activities after Cyclone Nargis in May 2008.

Aso Taro, who served as Prime Minister from September 2008 to September 2009 and Foreign Minister from October 2005 to August 2007, also committed to an engagement policy line toward Myanmar despite having advocated 'value oriented diplomacy' with Abe and propagating the associated concept of 'the arc of freedom and prosperity', which aimed at promoting cooperation with those countries achieving or moving toward political freedom and economic growth in the outer rim of the Eurasian continent.<sup>143</sup> He mentioned in the Diet that the Western governments' sanctions policy

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<sup>142</sup> Abe Shinzo's wife, Akie, mentioned her husband's sympathy to Myanmar in a magazine article. Around October 2005, she started up a project to construct school buildings in developing Asian countries by utilizing an organization under the Diet members' group for constructing schools for Asian children chaired by her husband. He suggested that she could select Myanmar as the first site in mentioning that Myanmar was a pro-Japanese and good country, and they should assist such a country though Western governments had been suspending economic assistance to it (Abe, 2006: 112-113).

<sup>143</sup> On 'value oriented diplomacy' and the concept of 'the arc of freedom and prosperity', see

excessively symbolized the issue of Aung San Suu Kyi and that Japan and ASEAN should take another approach whilst considering the strategic significance of Myanmar.<sup>144</sup> He also denied the effectiveness of pressure without talk pointing out the significance of utilizing neighbouring countries which had more personal connections with SPDC leaders than Japan or the U.S.<sup>145</sup>

MOFA found it more difficult to deal with Myanmar, especially after the ouster of Khin Nyunt in October 2004 who was the primary contact person among the SPDC leaders, and the one who seemed most willing to reflect Japan's advice into the SPDC's policy direction. The Depayin incident also made it clear to MOFA, especially for those who held the conception of default friendship engagement, that the SPDC could easily ruin the efforts for Myanmar's political and economic development that the Japanese government made in spite of international and domestic pressures against it. MOFA also recognized that the SPDC's pragmatic and cooperative relationships with the PRC and other friendly countries made it less necessary to accept Japan's assistance in return for taking its advice. Consequently, voices emerged even within MOFA to regard Myanmar as a dictatorship similar to North Korea and thus should be dealt with by putting more pressure on it. Despite still recognizing that an engagement policy line was the only practical way to bringing about positive change in Myanmar, therefore, MOFA became less willing to conduct proactive engagement without any sign of improvement to the Myanmar problem.

At the same time, MOFA perceived even tougher constraints on Japan's engagement policy imposed by international structure during this period. Washington's pressure on Tokyo to vote for its proposal to make the Myanmar problem a formal

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MOFA's website uploading the record of Aso's speech on 30 November 2006, available at <http://www.mofa.go.jp/announce/fm/aso/speech0611.html> (accessed 4 March 2010).

<sup>144</sup> See Aso's response to DPJ member Nagashima Akihisa's question at the Foreign Affairs Committee in the House of Representatives on 6 June 2007.

<sup>145</sup> See Aso's response to DPJ member Nagashima Akihisa's question at the Foreign Affairs Committee in the House of Representatives on 13 December 2006.

agenda item at the UN Security Council was the most obvious and direct one. Although it was basically against the proposal, in the end MOFA decided to approve it in September 2006. This was presumably because, given little prospect for any improvement in the Myanmar problem, the costs to resist the U.S. demand for approval outweighed the benefits, especially when considering that such approval did not mean that Japan would have to support any actual resolutions calling for sanctions against the SPDC. Despite this, MOFA still maintained its general perception that Japan's policy direction should be different from the U.S. sanctions policy, even in observing the escalation of U.S. criticism and sanctions against the SPDC. In legitimizing its adherence to an engagement policy from structural viewpoints, some MOFA officials emphasized the necessity to respond to the PRC's growing influence so that it would not undermine Japan's presence; while others advocated the significance of supporting ASEAN's efforts to solve the Myanmar problem as an internal agenda in developing itself as a regional political framework. Regardless of its rationales, MOFA as a whole still considered that an engagement policy line was the most preferable policy vis-à-vis Myanmar in spite of facing tougher structural pressures as well as propagating the concepts of 'value oriented diplomacy' and 'the arc of freedom and prosperity' under Foreign Minister Aso.<sup>146</sup>

Meanwhile, in responding to the substantial difficulty in bringing about positive change in the Myanmar problem in the short-term, MOFA attempted to make two minor shifts in its Myanmar policy. One was a shift in policy discourse from '*kanyo seisaku*' (engagement policy) to '*taiwa to atsuryoku*' (talk and pressure), which was originally used for describing Japan's policy toward North Korea. Some MOFA officials began to use the latter term ever since Japan's approval to make the Myanmar problem a formal agenda item at the UN Security Council in September 2006. It was not used as a

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<sup>146</sup> Those advocating the concept of the 'arc of freedom and prosperity' within MOFA seemed to consider Japan's engagement policy in relation to Myanmar as an exception in order to bring a change toward Myanmar's freedom and prosperity as well as to counterbalance the PRC.

phrase to explain Japan's policy shift but rather as a more precise phrase to describe the policy that Japan had already been taking in dealing with Myanmar. When describing Japan's Myanmar policy as '*taiwa to atsuruyoku*' at a seminar organized by the SPF, MOFA's Senior Foreign Policy Coordinator Maruyama Ichiro emphasized the necessity to engage with Myanmar and to continue humanitarian assistance. He also pointed out that Japan's basic tasks were to support Gambari and cooperate with international society, especially ASEAN; tasks which showed no apparent substantial difference from the explanation of '*kanyo seisaku*' (SPF, 2008: 37).

The other shift in policy was MOFA's emphasis on humanitarian assistance as a foreign policy measure. Whilst having been primarily focused on inter-governmental political dialogues and ODA provision in its Myanmar policy, MOFA increasingly recognized that humanitarian assistance, especially through international organizations and humanitarian NGOs, was a policy measure that could have a small but steady long-term influence on Myanmar's situation given the limited prospects for a positive change in the short-term. Humanitarian assistance was also considered as a less problematic measure because the Japanese government could claim it as Japan's assistance toward the Myanmar people in a bilateral political relationship while at the same time circumvent international and domestic criticism as a supporter of an oppressive government. The Cyclone Nargis disaster became an occasion for the Japanese government to conduct intensive humanitarian assistance in an exceptional emergency case. The Japanese government decided to provide around 107 million yen of material support, some of which was distributed through the Japan Platform, a system providing emergency relief through a partnership among Japanese NGOs, business sectors, the government, media and other actors, as well as up to \$10 million of emergency aid, which was implemented in cooperation with international organizations.

While not necessarily being a policy shift initiated by MOFA, Japan's policy

toward Myanmar refugees could have also indicated the Japanese government's decoupling of inter-governmental political relationships with humanitarian policy. On the one hand, from the mid-2000s, the Japanese government began issuing an increasing number of refugee status and residence permissions out of humanitarian considerations,<sup>147</sup> although this would be primarily because of a re-examination of the refugee recognition procedure that was carried out by the Immigration Bureau of the Ministry of Justice (MOJ). On the other hand, from September 2007, the Japanese government set up discussions on third country resettlement, particularly in regard to Myanmar refugees in Thailand, and accelerated the policy-making process after receiving a request for cooperation from the UN High Commissioner for Refugees Antonio Guterres in November 2007.<sup>148</sup> This led to the Japanese government's decision in February 2008 to accept tens of Myanmar refugees in Thailand in the coming year as Japan's first case of third country resettlement. This was coordinated by a number of related ministries including MOJ and MOFA, which reflected the fragmented nature of Japan's immigration policy-making system. Yet, these shifts in Japan's stance toward Myanmar refugees could be recognized as a part of the institutionalization of Japan's humanitarian policy and its decoupling from inter-governmental political relationships.

METI perceived the declining prospects for Myanmar's economic liberalization and growth as well as the limited business opportunities for Japanese companies in the short-term. What was more, METI did not have many policy options for Myanmar because the Japan-Myanmar Cooperation for Structural Adjustment of the Myanmar Economy ended without being implemented by the SPDC and the Baluchaung hydro power plant project was suspended after the Depayin incident.

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<sup>147</sup> Despite having some fluctuations, the number of recognized refugee status and residence permissions for humanitarian consideration rapidly increased from 24 in 2004 to 143 in 2005 and even came up to 417 in 2008. See MOJ's website available at <http://www.moj.go.jp/PRESS/090130-1-1.pdf> (accessed 26 March 2010).

<sup>148</sup> See Minister for Justice Hatoyama Kunio's response to DPJ member Nakagawa Masaharu's question at the Budget Committee in the House of the Representatives on 13 February 2008. He also expressed his willingness to initiate the policy-making process as Minister for Justice.

Myanmar still attracted the attention of some Japanese companies in specific areas such as garment manufacturing due to increasing costs in other East Asian production bases, as well as natural resource development in accordance with the growing price of natural resources in the world market since the mid-2000s. Myanmar's business environment was, however, generally not attractive enough for many Japanese companies to set up new operations and, thus, METI recognized that there was less necessity to conduct a proactive policy during this period.

MOF, which had been primarily concerned with the credibility of Japan's ODA policy, also held a minimal stake in Myanmar policy. As the Japanese government cancelled all on-going yen loan projects for Myanmar in 2001 and new yen loan disbursement was not a serious policy option, almost the only concern for MOF was Myanmar's accumulated debt problem, which had already been recognized as being extremely difficult to solve in the short-term. MOF, hence, was unwilling to play any significant role in Myanmar policy-making during this period.

On the whole, Japan's Myanmar policy during this period was mostly coordinated by MOFA in cooperation with political leaders operating under the general consensus of maintaining an engagement policy line in a low-key manner. Although some of Japan's senior political leaders had a personal attachment to Myanmar or were motivated to pursue an autonomous Asian policy, they were generally reluctant to conduct a proactive policy not only because of practical difficulties in making positive changes to the Myanmar problem, but also because of the increasing costs imposed by international structure in conducting proactive engagement. As METI and MOF held a lesser stake in Myanmar policy than in the previous period, there were fewer difficulties for MOFA to coordinate its policy direction within the Japanese government. The Japanese government, therefore, generally preferred a wait-and-see position and to deal with the development of the Myanmar problem in a reactive and risk-averse manner



during this period.

## *5. Resource Mobilization*

Among Japanese politicians and other domestic actors, since the ouster of Khin Nyunt in October 2004, there were few who explicitly advocated providing more support for the SPDC. Because of the cancellation of all remaining yen loan projects and the lack of serious discussion on new ODA provision to Myanmar other than relatively small-scale humanitarian assistance, the room for rent-seeking activities within the Myanmar policy-making system also diminished. Besides, except for some specific industries, the Japanese business sector had few short-term prospects for business operations in Myanmar. On the other hand, the DMLSDM and other pro-democracy organizations enhanced their activities in response to the domestic mass protest movement in September 2007 and other politically controversial incidents in Myanmar. Many mainstream politicians, both within the DMLSDM and outside, however, still maintained their stance that the Japanese government should move more proactively rather than simply advocating a sanctions policy. The shooting of journalist Nagai in September 2007, in combination with the SPDC oppression of the protests, spread the image within Japanese society of Myanmar as a dictatorship; an image which often overlapped with North Korea. This made it politically more difficult, if not impossible, for the Japanese government to retain domestic support for conducting proactive engagement.

### *(1) The Diet and Politicians*

In the Diet, there was some discussion on Myanmar policy, especially after Myanmar's domestic protests and the death of Japanese journalist Nagai in September

2007. Some members of the DPJ, the largest opposition party, raised questions on Myanmar policy at the Diet from diverse perspectives. Right before the mass movement in Myanmar, Nagashima Akihisa agreed with Foreign Minister Aso that Japan should take an original approach toward Myanmar, which was different from the Western sanctions policy, from both pragmatic and strategic perspectives.<sup>149</sup> After the shooting incident of journalist Nagai, an original member of the DMLSDM Hatoyama Yukio criticized the government's slow response to the Myanmar problem, claiming that Japan was an exceptional country which could play a bridging role between the military government and Aung San Suu Kyi.<sup>150</sup> Suematsu Yoshinori, the DMLSDM's secretary general during this period, suggested asking for the PRC's cooperation and the employment of targeted sanctions in order to address the issue of Nagai's death.<sup>151</sup> He also proposed supporting Gambari's mediation efforts, if necessary by forming a multilateral framework on the Myanmar problem, and to assist Myanmar's pro-democracy camp and Myanmar refugees and displaced persons in the border area.<sup>152</sup> After a field trip to Myanmar to assist NGO activities for rural development, education and healthcare, DPJ member Haraguchi Kazuhiro emphasized the significance of grassroots educational activities which would help people out of poverty and inform them about democracy.<sup>153</sup>

The SDP was critical of the government's engagement policy and explicitly advocated sanction measures. Teruya Kantoku proposed to pressure the SPDC in various ways including sanction measures in order to support the September 2007 mass

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<sup>149</sup> See Nagashima's question at the Foreign Affairs Committee in the House of Representatives on 6 June 2007.

<sup>150</sup> See Hatoyama's question at the plenary session of the House of Representatives on 3 October 2007.

<sup>151</sup> Another DPJ member Inuzuka Tadashi also advocated considering targeted sanctions, not in response to the shooting incident but to pressure the SPDC to promote democratization and human rights protection. See Inuzuka's question at the Committee on Foreign Affairs and Defense in the House of Councilors on 8 April 2008.

<sup>152</sup> See Suematsu's question at the Foreign Affairs Committee in the House of Representatives on 21 April 2008.

<sup>153</sup> See Haraguchi's question at the National Security Committee in the House of Representatives on 19 October 2007.

struggle for democracy.<sup>154</sup> In order to promote Myanmar's democratization, the SDP Chief and DMLSDM member Fukushima Mizuho advocated the suspension of both existing and any new economic assistance for humanitarian purposes as well as selling off the Japanese government's share of a joint venture company for oil and natural gas development.<sup>155</sup> Kondo Masamichi raised a question on the appropriateness of two recipients of Japan's humanitarian assistance, namely the Union Solidarity and Development Association (USDA), a civilian political organization supported by the Myanmar military and suspected of involvement in the Depayin incident, and the Maternal Children Welfare Association, which was chaired by Myanmar Prime Minister Thein Sein's wife.<sup>156</sup>

From September 2007, Diet member Suzuki Muneo, who had left the LDP in March 2002, also became explicitly critical of Japan's Myanmar policy. He began to issue a number of *shitsumon shuisho* on Myanmar policy after the shooting of journalist Nagai, criticizing the government's continuation of humanitarian assistance and advocating sanction measures in dealing with the SPDC's insincerity toward addressing the incident.<sup>157</sup> These critical questions at the Diet discussions were not a substantial constraint on the government's engagement policy line although they did increase pressure on the government.

At the political level, the PLSMG had been highly proactive from the late 1990s to the early 2000s, but during this period no longer remained as committed to Myanmar policy-making. On the other hand, the JMPEPL continued its activities as the main LDP-based Diet members' league for Japan-Myanmar bilateral friendship.

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<sup>154</sup> See Teruya's question at the plenary session of the House of Representatives on 4 October 2007.

<sup>155</sup> See Fukushima's question at the plenary session of the House of Councilors on 5 October 2007.

<sup>156</sup> See Kondo's question at the Special Committee of the House of Councilors on Official Development Assistance and Related Matters on 14 November 2007.

<sup>157</sup> Suzuki issued more than 20 *shitsumon shuisho* on Myanmar policy from September 2007 to the end of 2008; not only on the shooting incident of journalist Nagai but also Japan's response to the disaster of Cyclone Nargis and so on. See *shitsumon shuisho* and the government's answers available at [http://www.shugiin.go.jp/index.nsf/html/index\\_shitsumon.htm](http://www.shugiin.go.jp/index.nsf/html/index_shitsumon.htm) (accessed 23 February 2010).

However, since Kato Koichi lost political power no-one within the JMPEPL was apparently willing to take any outstanding political initiative in Myanmar policy-making. The JMPEPL, thus, generally acted for the Japan-Myanmar relationship in a manner of 'business-as-usual' rather than making any distinctive activities, although it did provide financial support for the disaster relief of Cyclone Nargis.

On the other hand, as a bipartisan group that included powerful Diet members in both ruling and opposition parties, the DMLSDM became more active in raising its voice against the government's responses to the Myanmar problem. For instance, it issued a statement which was conveyed to Foreign Minister Aso in June 2006 that supported the UN Security Council proposal to discuss Myanmar as a formal agenda item and asked Japan to play a proactive role.<sup>158</sup> The DMLSDM also had information exchanges with other countries' policy-makers as well as transnational pro-democracy networks including the AIPMC. The DMLSDM held a general meeting to respond to the mass protests in Myanmar and the shooting of journalist Nagai, deciding to act in order to meet with Gambari and issuing a Diet resolution on 24 October 2007 to make Japan's stance clear.<sup>159</sup>

Despite becoming non-mainstream politicians during this period, some JMPFL members kept supporting the SPDC and advocated Japan's more proactive assistance to it. For example, Watanabe Hideo, Nishimura Shingo and Matsushita Shinpei visited Myanmar to observe the situation after the disaster of Cyclone Nargis in July 2008.<sup>160</sup> However, although the JMPFL was the oldest Diet members' league it had largely lost its historical personal connections with the SPDC and seemed to have even fewer

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<sup>158</sup> See the DMLSDM Secretary General and DPJ member Suematsu Yoshinori's website available at <http://www.y-sue.net/activity/2006j/0619.html> (accessed 8 September 2008).

<sup>159</sup> See the DMLSDM Secretary General and DPJ member Suematsu Yoshinori's website available at <http://www.y-sue.net/activity/2007j/1024.html> (accessed 8 September 2008). The DMLSDM's meeting with Gambari was actually held on 26 October 2007.

<sup>160</sup> See the JMPFL Secretary General Nishimura Shingo's website available at <http://www.n-shingo.com/katudou2/20080712.html> (accessed 23 March 2010).

contacts with SPDC leaders since the ouster of Khin Nyunt and other moderate pragmatists.

In the end, many mainstream politicians still supported the engagement policy line, albeit critically, while those advocating a default engagement based on historical friendship became much weaker and more hesitant to raise their voices publicly. At the same time, especially after the journalist Nagai was killed, there emerged more voices, even if these voices were still in the minority, urging the Japanese government to put stronger pressure on the SPDC by even taking sanction measures. Although there were no critical obstacles to its engagement policy line from the Diet and politicians, the Japanese government did recognize increasing pressure from some Diet members for even the disbursement of small-scale humanitarian assistance.

## *(2) Business Sector*

The Japanese business sector as a whole had already given up any short-term prospects for Myanmar's economic growth or promising business opportunities. In fact, the *Keidanren* and other business organizations became inactive in the Japan-Myanmar relationship and many Japanese companies withdrew or downsized their business operations whilst some of them still maintained their Myanmar branches. As the Japanese government had already cancelled all remaining yen loan projects, moreover, ODA-related businesses were no longer prospective opportunities for Japanese companies, at least in the short-term, except for the ones related to small-scale humanitarian assistance projects. Even so, Myanmar attracted some specific industrial sectors. Garment manufacturing and other light industries, for example, began to be interested in Myanmar as a potential production base because of increasing production costs in other East Asian countries such as Vietnam and coastal China. The rising international price of raw materials in the world market around this period also

enhanced the attraction of natural resource development in Myanmar. Yet, because of various difficulties in conducting operations in Myanmar, including the SPDC's interventionist economic policy and Myanmar's unimproved business environment and increasing reputation risk in committing to Myanmar, the activities of Japanese companies remained limited in scope and small in scale. As a whole, the Japanese business sector generally kept a wait-and-see position in parallel with the Japanese government during this period.<sup>161</sup>

### (3) NGOs

Bilateral friendship NGOs continued their activities despite, in some cases, having difficulties in maintaining contacts with the SPDC, especially after the ouster of Khin Nyunt and Japan's approval to include the Myanmar problem as a formal agenda item at the UN Security Council. The Meeting of Myanmar Related Group was established in late 2006 in order to strengthen cooperation and information exchange between six Myanmar related non-governmental groups. These groups consisted of the JMFA, the JMA, the MEMI, the AMCWA, TCM and the Myanmar-Japan Tourism Promotion Committee (MJTC) who all aimed at a Japan-Myanmar exchange promotion in April 2007.<sup>162</sup> The SPF had played a unique role in the Japan-Myanmar political relationship in the previous period and now became focused on functional cooperation projects for Myanmar rather than seeking to conduct active 'public diplomacy'. This was presumably because it perceived less room to play a meaningful role in the bilateral political relationship during this period.<sup>163</sup>

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<sup>161</sup> Still, Japanese companies' commitment could be observed, for instance, in 311.85 million yen of financial and material assistance provided by *Keidanren* member companies to the disaster areas of Cyclone Nargis on 13 June 2008 (Keidanren, 2008).

<sup>162</sup> See TCM's website on the establishment of the MMRG available at <http://www.consul-myanmar.com/myanmar%20kanrendantai.html> (accessed 5 February 2010).

<sup>163</sup> The SPF still attempted to draw sporadic attention to the Myanmar problem among Japanese policy-makers by, for example, organizing a study group on Myanmar with LDP member Sakurai Ikuzo (SPF, 2006). The SPF also organized a seminar in Tokyo in November 2007 on Myanmar after the mass movement (SPF, 2008).

In contrast, pro-democracy NGOs became more appealing to the government, politicians and the general public. They responded more proactively, in particular to the SPDC's crackdown on the protest movement and the consequent shooting of journalist Nagai in September 2007, as well as the forced constitutional referendum during the disaster of Cyclone Nargis in May 2008. In coordination with other organizations and groups, including the DMLSDM, *Rengo* organized public meetings about Myanmar in Tokyo on 11 November 2007 and on 6 April 2008, urging Myanmar's democratization and appealing to the Japanese general public.<sup>164</sup> In another example, four NGOs, namely Mekong Watch, the BPF, Human Rights Now and the Nagoya NGO Center, jointly raised the issue of Japan's ODA policy toward Myanmar at a MOFA consultative meeting with NGOs on ODA policy on 16 November 2007, at which anti-SPDC Myanmar nationals in Japan also attended.<sup>165</sup> Although they remained generally small and fragmented, pro-democracy NGOs could enhance their voices and activities in parallel with the widening and strengthening international reactions to the SPDC's oppressive and uncompromising rule in Myanmar.

Many of those humanitarian NGOs which had been operating in Myanmar continued their activities in spite of increasing difficulties in accordance with the SPDC's accelerating isolationist and interventionist policy direction. According to a Japanese NGO staff member, those NGOs operating in Myanmar were convinced that the presence of foreign personnel for humanitarian assistance constrained the authorities from carrying out obvious human rights infringement. The disaster of Cyclone Nargis provided humanitarian NGOs, especially those working as members of the Japan Platform, with an opportunity to play a significant role in implementing Japan's

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<sup>164</sup> See *Rengo's* website available at <http://www.jtuc-rengo.or.jp/kokusai/news/20071111.html> and <http://www.jtuc-rengo.or.jp/kokusai/news/20080406.html> (accessed 15 March 2010).

<sup>165</sup> See MOFA's website on the second ODA policy consultative meeting of the FY2007 NGO-MOFA periodical consultative meeting available at [http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda\\_ngo/taiwa/oda\\_seikyo\\_07\\_2.html](http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda_ngo/taiwa/oda_seikyo_07_2.html) (accessed 31 March 2010).

assistance. For instance, 10,000 galvanized sheets provided by Japanese company AEON were distributed by NGOs in coordination with the Japan Platform to be used for repairing buildings such as schools and hospitals (Myanmar Focus, 2008: 7). Through disaster relief and rehabilitation after Cyclone Nargis, the Japan Platform provided up to 970 million yen of humanitarian assistance with the participation of a number of humanitarian NGOs.<sup>166</sup>

#### (4) *Media and Public Opinion*

In observing the SPDC's responses to mass protest and the Cyclone Nargis disaster, Japanese daily newspapers generally became more critical of the SPDC, proposing that the Japanese government should play a proactive role in dealing with Myanmar. The *Asahi* and *Mainichi* even began to suggest sanctions would pressure the SPDC. Before the mass movement began in September 2007, the *Yomiuri* emphasized the necessity for the Japanese government of providing indirect support for ASEAN's independent efforts for Myanmar's democratization (YS, 7 December 2005). The *Yomiuri* also expressed concern that competition between the PRC and India in assisting the SPDC prevented Myanmar from progressing to democratization, and it encouraged the Japanese government to guide Myanmar toward international cooperation and stabilization (YS, 11 June 2006). Responding to Myanmar's mass movement and the shooting incident of journalist Nagai, the *Asahi* proposed Japan's more active commitment to Myanmar's peace and democratization process including a re-examination of economic assistance, consideration of sanction measures, encouragement of a proactive role for the PRC, and an increase of acceptance and support for Myanmar refugees (AS, 9 October 2007; 29 September 2007b). The *Mainichi* also criticized the SPDC's oppression against the domestic mass movement as well as the shooting of journalist Nagai, urging the Japanese government to raise its

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<sup>166</sup> See the Japan Platform's Summary Report on Myanmar Cyclone Nargis Program available at [http://www.japanplatform.org/area\\_works/myanmar/doc/myanmar\\_s.pdf](http://www.japanplatform.org/area_works/myanmar/doc/myanmar_s.pdf) (accessed 4 April 2010).



voice for sanctions and to involve the PRC in internationally coordinated pressure on Myanmar (MS, 29 September 2007; 28 September 2007). Meanwhile, the *Yomiuri* noted the necessity for Japan to contribute to settle Myanmar's domestic situation, yet without specifying actual measures (YS, 28 September 2007). Concerning disaster relief activities after Cyclone Nargis, the *Asahi* suggested that Japan play a leading role by dispatching Foreign Minister Komura to Myanmar and ASEAN countries in order to persuade the SPDC to accept foreign personnel and to encourage the PRC to contribute to disaster relief (AS, 13 May 2008). The *Sankei* was also critical of the SPDC's ignorance of people's lives (SS, 9 May 2008). The *Yomiuri* mentioned the necessity for the SPDC to distribute disaster relief materials and for Japan to provide careful assistance to the victims of Cyclone Nargis (YS, 28 May 2008).

## 6. *Domestic Policy-Making System*

During this period, there were three main occasions when the Japanese government needed to respond to exogenously raised issues related to the Myanmar problem. The first occasion was the U.S.-led proposal to make the Myanmar problem a formal agenda item at the UN Security Council, which was finally brought to a vote on 15 September 2006. The second occasion was Myanmar's mass movement and the shooting of journalist Nagai in September 2007. And the last occasion was the disaster of Cyclone Nargis and the constitutional referendum forcibly conducted at that time in April-May 2008. On all occasions, Japan's senior political leaders were not particularly proactive within the policy-making system; although they were kept informed about the development of the Myanmar problem. They generally moved reactively in line with MOFA's coordination not only because of their fading hopes for making any positive change to the Myanmar problem but also because of tougher pressures, particularly from the U.S. The frequent change in Prime Minister and cabinet members, in addition,

also made it difficult to make any consistent political initiatives in Myanmar policy-making. At the same time, METI and MOF played a minimal role within the policy-making system because they had no major stake in Myanmar, at least in the short-term. As a result, Japan's Myanmar policy-making during this period rested more on MOFA's organizational process rather than political initiatives, which made the Japanese government adopt a risk-averse posture and a reactive behavioural pattern to the development of the Myanmar problem.

The Japanese government's decision to vote for the U.S.-led proposal to make the Myanmar problem a formal agenda item at the UN Security Council on 15 September 2006 appeared to have been made within MOFA and authorized by senior political leaders. While it had lost any short-term prospects for an improvement in Myanmar's domestic situation since the Depayin incident and the ouster of Khin Nyunt, the Japanese government was still waiting for an opportunity to make a positive change in Myanmar and it maintained a supportive stance for the SPDC in the international arena, although at bilateral talks it more bluntly demanded action on democratization and human rights protection. The Japanese government, thus, continued high-level bilateral contacts such as Machimura's meeting with Myanmar's Foreign Minister in April 2005 and Koizumi's talk with Than Shwe at the Asian-African Summit in April 2005.<sup>167</sup> At the meeting with Myanmar's Foreign Minister Nyan Win on 10 December 2005, Foreign Minister Aso mentioned that, whilst it wished to maintain dialogue on Myanmar's democratization, it might become difficult for Japan to help Myanmar if there was no improvement on the Myanmar side (MOFA, 2005).

When the U.S. and the UK raised the Myanmar problem at the UN Security Council in December 2005, the Japanese government initially showed a somewhat negative stance to the idea (CS, 3 December 2005). Subsequently when the U.S.

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<sup>167</sup> Myanmar's Foreign Minister Nyan Win also visited Japan in May 2005.

initiated another informal discussion on making Myanmar a formal agenda item in June 2006, the Japanese government was under direct pressure from the White House to support the U.S. In the end, as the U.S.-led proposal was brought to a vote at the Security Council on 15 September 2006, the Japanese government moved to approve it, presumably taking U.S. pressure into account and acknowledging the declining short-term prospects for Myanmar's political and economic development (MS, 16 September 2006). Foreign Minister Aso actually admitted this shift in Japan's stance, explaining that Japan did oppose the proposal at informal discussions but finally decided to vote for it.<sup>168</sup> This decision was made after a consensus among executive MOFA officials who consulted with Chief Cabinet Secretary Abe Shinzo and Prime Minister Koizumi, who then gave authorization to the decision under the condition that the approval did not mean Japan's support for any future resolution on the Myanmar problem at the UN Security Council.

The second time that the government had to respond to the Myanmar problem because of external circumstances came around the time of the establishment of the Fukuda administration on 26 September 2007, when the large-scale mass movement and subsequent shooting of Japanese journalist Nagai occurred. The Japanese government seemingly decided to react moderately under MOFA's coordination even though the shooting incident caused domestic criticism of the government's inability to either make a positive change to the Myanmar problem or to force the SPDC to address the incident adequately. Regarding Nagai's death, the Japanese government actually attempted to deal with it as a practical bilateral issue rather than politicizing it in a broader context. Initially, Prime Minister Fukuda adopted a cautious stance noting that sanctions were not the best policy at that stage; however, Foreign Minister Komura, who was in the U.S., mentioned that a stronger measure could become a policy option depending on the response of the Myanmar government (AS, 29 September 2007a). Subsequently,

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<sup>168</sup> See Nagashima's question at the Foreign Affairs Committee in the House of Representatives on 6 June 2007.

however, Komura stated that Japan should encourage Myanmar's democratization in cooperation with ASEAN and the UN, including the Security Council, without suspending humanitarian assistance.<sup>169</sup> In practice, whilst it announced on 16 October that it would not sign an exchange of notes for a humanitarian assistance project for Myanmar's human resource development in response to the SPDC's crackdown on the domestic mass movement, the Japanese government continued limited humanitarian assistance provision for Myanmar without suspending it entirely.

On the issue of Myanmar's democratization and the SPDC's oppression of the mass movement, the Japanese government repeatedly expressed concern about Myanmar's domestic situation and urged the SPDC to show self-restraint and to restart political dialogue with the pro-democracy camp. Komura, for example, met with Myanmar's Foreign Minister Nyan Win at the UN Headquarters on 28 September, urging an improvement of Myanmar's domestic situation. In a pre-planned visit from 30 September, Deputy Minister for Foreign Affairs Yabunaka Mitoji discussed the shooting of journalist Nagai and Myanmar's democratization at meetings with Myanmar's executive officials (MOFA, 2007a). Later, the Japanese government held various bilateral dialogues among senior leaders, raising the issues of both Myanmar's democratization and the shooting incident.<sup>170</sup>

At the same time, the Japanese government also sought cooperation with other governments as well as the UN Secretariat. On visiting Japan as a part of his trip to related countries in late October 2007, Gambari agreed to cooperate closely on the Myanmar problem with the Japanese government at meetings with Fukuda, Komura, and Vice-Minister for Foreign Affairs Uno Osamu as well as Yabunaka.<sup>171</sup> Gambari

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<sup>169</sup> See Komura's response to LDP member Tanigaki's question at the Budget Committee in the House of the Representatives on 9 October 2007.

<sup>170</sup> See MOFA's website on the Myanmar's situation in relation to domestic demonstrations and the Japanese government's responses available at <http://www.mofa.go.jp/mofaj/area/myanmar/josei.html> (accessed 4 April 2010).

<sup>171</sup> See MOFA's website on Gambari's visit to Japan in October 2007 available at

visited Japan again in late February 2008, holding meetings with Komura, Kimura, newly appointed Vice-Minister for Foreign Affairs Yabunaka, and his successor Sasae Ken'ichiro.<sup>172</sup> Also, the Myanmar problem became an issue of discussion at the Japan-U.S. summit meeting on 16 November, in which President Bush expressed his expectation for Japan to play a role in Myanmar's democratization (MS, 25 November 2007; SS, 18 November 2007). In addition, Fukuda revealed that he had asked the PRC's Prime Minister Wen Jiabao to cooperate in settling Myanmar's domestic turmoil.<sup>173</sup> Komura also noted that Japan had a deep discussion on the Myanmar problem with the PRC, straightforwardly requesting the PRC to influence the SPDC toward Myanmar's democratization.<sup>174</sup>

The Japanese government decided to treat the shooting of journalist Nagai as a practical bilateral issue rather than politicize it in a broader context, despite mounting domestic criticism against the government's insufficient pressure on the SPDC. At the bilateral meetings, Japan always urged the SPDC to conduct a proper investigation and address the incident appropriately. Nyan Win apologised for the death of the Japanese journalist in response to Komura's demand for a full account of the incident at the bilateral Foreign Ministers' meeting at the UN Headquarters on 28 September (MOFA, 2007b). After that, the Japanese government urged the SPDC for a full account of the incident on various occasions, including at several meetings between Komura and Nyan Win and at Fukuda's meeting with Prime Minister Thein Sein on 21 November. Responding to DPJ member Suematsu Yoshinori's proposal to ask for the PRC's cooperation or to employ targeted sanctions in order to address the incident appropriately, however, Komura made it clear that the issue should be solved through

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[http://www.mofa.go.jp/mofaj/kaidan/yojin/arc\\_07/0710\\_un.html](http://www.mofa.go.jp/mofaj/kaidan/yojin/arc_07/0710_un.html) (accessed 4 April 2010).

<sup>172</sup> See MOFA's website on Gambari's visit to Japan in February 2008 available at [http://www.mofa.go.jp/mofaj/kaidan/yojin/arc\\_08/0802\\_un.html](http://www.mofa.go.jp/mofaj/kaidan/yojin/arc_08/0802_un.html) (accessed 4 April 2010).

<sup>173</sup> See Fukuda's response to DPJ member Hatoyama's question at the plenary session of the House of Representatives on 3 October 2007.

<sup>174</sup> See Komura's response to DPJ member Suematsu Yoshinori's question at the Foreign Affairs Committee in the House of Representatives on 11 April 2008.

bilateral talks rather than by asking for the cooperation of other countries or by employing targeted sanctions.<sup>175</sup>

The third occasion of externally motivated responses to Myanmar was after the disaster of Cyclone Nargis and the SPDC's forced implementation of the constitutional referendum. The Japanese government continued its moderate responses under MOFA's coordination based on a broad consensus among MOFA and political leaders that Japan should not only maintain the engagement policy but also make a contribution to disaster relief as an international humanitarian issue. Responding to the disaster of Cyclone Nargis, the Japanese government decided to provide around 107 million yen of material support as emergency assistance in early May, as well as up to \$10 million of emergency aid which would be implemented in cooperation with international organizations on 9 May.<sup>176</sup> In addition, Fukuda sent a letter to Than Shwe, noting Japan's readiness to dispatch an emergency medical team and encouraging the SPDC to accept foreign assistance and aid teams (MOFA, 2008c). Senior Vice-Minister for Foreign Affairs Kimura Hitoshi also visited Myanmar on 17-18 May, encouraging Foreign Minister Nyan Win and other Myanmar leaders to accept foreign personnel for disaster relief, followed by Komura's conveying of the same message to Myanmar's Ambassador to Japan Hla Myint on 20 May.<sup>177</sup> At the pledging conference organized by the UN and ASEAN on 25 May, Vice-Minister for Foreign Affairs Uno Osamu pledged to dispatch an investigation team for medical disaster relief, a team to survey sunken ships, and a survey team for rehabilitation and reconstruction when the situation

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<sup>175</sup> See Komura's response to DPJ member Suematsu Yoshinori's question at the Foreign Affairs Committee in the House of Representatives on 21 April 2008.

<sup>176</sup> See Komura's response to DPJ member Inuzuka's question at the Committee on Foreign Affairs and Defense in the House of Councilors on 15 May 2008. Later on, the Japanese government also decided \$13.1 million of rehabilitation assistance through international organizations as a part of a FY2008 supplementary budget approved in March 2009 (MOFA, 2009).

<sup>177</sup> Komura revealed that the Japanese government encouraged the SPDC to accept the activities of foreign personnel for emergency relief through various channels including Fukuda's letter to Than Shwe. See Komura's response to SDP member Uchiyama Tokushin's question at the Committee on Foreign Affairs and Defense in the House of Councilors on 13 May 2008.

allowed (MOFA, 2008b).<sup>178</sup>

The Japanese government also made efforts for the international coordination of emergency assistance for Myanmar as well as encouraging the SPDC to accept foreign personnel for disaster relief. Komura mentioned that he agreed with U.S. Deputy Secretary of State Negroponte, Australia's Foreign Minister Smith and Thailand's Foreign Minister Noppadon to persuade the SPDC to accept foreign personnel for emergency aid.<sup>179</sup> In addition, Fukuda sought cooperation with the PRC in persuading the SPDC to accept foreign personnel, while at the same time emphasizing the necessity for the UN to actively engage on this issue (The Washington Post, 18 May 2008; 11 May 2008).

In dealing with the SPDC's constitutional referendum, the Japanese government proposed to the SPDC that it accept foreign observers for the referendum and actually dispatched three officers of the Japanese Embassy in Myanmar (MOFA, 2008d). After the constitutional referendum took place, the Japanese government continued to encourage the SPDC to progress the democratization process by involving all the relevant parties and restarting dialogue with Aung San Suu Kyi. At the bilateral Foreign Ministers' meeting on 22 July, Komura conveyed this message on Myanmar's democratization in addition to the discussions on Cyclone Nargis disaster relief and the shooting incident of journalist Nagai (MOFA, 2008a). Overall, the Japanese government's response to the disaster of Cyclone Nargis and the constitutional referendum was decided through Japan's conventional *modus operandi* without any outstanding policy initiatives or distinctive policy debates within the government.

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<sup>178</sup> This was in addition to up to \$10 million of emergency aid mentioned above as Japan's contribution to the cyclone disaster relief.

<sup>179</sup> See Komura's response to DPJ member Inuzuka's question at the Committee on Foreign Affairs and Defense in the House of Councilors on 15 May 2008.

## *7. Conclusion*

After the Depayin incident and the ouster of Khin Nyunt, the SPDC began to decisively pursue its seven step roadmap to ‘disciplined democracy’ by oppressing domestic opposition and reducing its vulnerability to international pressure. This, on the one hand, made the Japanese government largely disillusioned with the SPDC’s sincerity toward domestic political reconciliation and, on the other hand, meant that the Japanese government had lost the main contact person who had at least shown an understanding toward international voices and willingness to take an international cooperation line within the SPDC. The Japanese government came to recognize the decreasing effectiveness of its proactive engagement, at least in the short-term, given the SPDC’s decreased need for Japan’s assistance. The Japanese government, therefore, largely settled in a wait-and-see position toward the Myanmar problem. Yet, the Japanese government at the same time still maintained its primary policy objective to encourage Myanmar’s political and economic development, and was seeking an opportunity to bring about positive change to the Myanmar problem. In pursuing this, the Japanese government essentially considered an engagement policy line as the only practical approach toward the SPDC given its further consolidated material capabilities vis-à-vis domestic opposition in societal and transnational structure.

At the same time, the Japanese government needed to deal with a changing international structural environment which became even more unfavourable for Japan. After the Depayin incident, the U.S. and other Western governments attempted to further pressure the SPDC by utilizing the UN Security Council as well as exercising influence on related governments, especially Japan and ASEAN countries. In contrast, other countries such as the PRC, Thailand, India, Russia and North Korea had constructed pragmatic and cooperative relationships with the SPDC, which presumably made it less necessary for the SPDC to respond to Japan’s engagement policy. The



toughest moment for this policy was when Japan came under direct pressure from the U.S. to vote for its proposal to make the Myanmar problem a formal agenda item at the UN Security Council. In the end, with the consideration that it did not guarantee Japan's approval for any future resolution at the council, the Japanese government decided to approve the proposal because it recognized more costs than benefits in pragmatic and structural terms in resisting U.S. pressure. Yet, the Japanese government still regarded an engagement policy line as the most preferable policy toward Myanmar in achieving its pragmatic objective. In pursuit of this policy line the Japanese government adopted a low-key and risk-averse posture. It also emphasized its coordination with ASEAN and the UN in considering its decreasing connections and leverage in relation to the SPDC and its preference to avoid excessive costs imposed by international structure. When it gradually became apparent that Western governments had significantly lost their leverage against the SPDC, the Japanese government showed some willingness to play a bridging role, especially in response to the disaster of Cyclone Nargis.

In domestic resource mobilization, the Japanese government did not have any critical obstacles in continuing its low-key engagement policy as mainstream politicians continued their support despite facing growing pressures and criticisms of the government's apparent appeasement policy, with some politicians even advocating sanctions against the SPDC. On the one hand, those politicians and NGOs supporting more assistance to the SPDC generally became less proactive and outspoken in Myanmar policy-making, although they did still continue their practical activities. Also, the Japanese business sector had largely lost its short-term prospects for business operations in Myanmar, not only due to the SPDC's interventionist economic policy and Myanmar's unimproved business environment but also to the growing possibility of damage to its reputation in connection with Myanmar. On the other hand, non-mainstream politicians and pro-democracy NGOs came to explicitly advocate sanctions against the SPDC, especially after Myanmar's mass movement and the

shooting of journalist Nagai in September 2007. In the end, however, whilst it became politically more difficult to resume economic assistance beyond small-scale humanitarian assistance without any sign of improvement in Myanmar's domestic problems, the Japanese government could retain enough political support to play a role in changing Myanmar positively by engaging with Myanmar's political leaders and dealing with Myanmar's humanitarian problems in some way.

Japan's Myanmar policy-making during this period was mostly coordinated by MOFA due to the lack of senior leaders' initiatives and other ministries' proactive participation. Some Japanese political leaders held a personal attachment or motivation to conduct an original policy toward Myanmar, but pragmatic and strategic difficulties for Japan in conducting proactive engagement with Myanmar and frequent changes of Prime Minister and cabinet members prevented them from carrying out any consistent political initiatives. At the same time, METI and MOF played a minimal role within the policy-making system because they had lost their stake in Myanmar policy, at least in the short-term. As a result, Japan's Myanmar policy-making was largely carried out by MOFA's organizational responses to the development of the Myanmar problem based on its low-key and risk-averse posture.

To sum up, the Depayin incident and the ouster of Khin Nyunt forced the Japanese government to recognize the SPDC's insincerity toward domestic political reconciliation and international coordination as well as Japan's decreasing connections and leverage over the SPDC. In addition, the transitions in international structure surrounding the Myanmar problem worsened the strategic costs and benefits for the Japanese government in conducting a proactive engagement policy. The Japanese government, however, still considered that an engagement policy line was the only practical policy to bring about a positive change in Myanmar as well as the most preferable policy in terms of its expected outcome in international structure. Insofar as it

remained in low-key engagement, the government's domestic resource mobilization did not pose any critical obstacle whereas domestic policy-making made it easier for MOFA to respond to the development of the Myanmar problem based on its practical coordination. The Japanese government, therefore, kept seeking opportunities to make a positive change to Myanmar's political and economic development by maintaining an engagement policy line during this period.

# Conclusion

## *1. Overview*

This thesis has examined Japan's Myanmar policy in four periods: pre-1988, 1988-1996, 1997-2004, and 2005-2008, by applying the analytical framework of neoclassical realism. Then, what can be found from this empirical case study? What can the empirical findings of this thesis tell us about the current academic debate on Japan's foreign policy? And, what sort of implications does this empirical case study have for the theoretical framework of neoclassical realism, especially in regard to Japan's foreign policy analysis? This chapter firstly summarizes this thesis's empirical findings about Japan's Myanmar policy and, secondly, after examining the plausibility of major existing arguments on Japan's foreign policy and Myanmar policy and discussing their consistency with the empirical findings, proposes 'problem-driven pragmatism' as a new model of Japan's foreign policy. Thirdly, this chapter examines the implications of this thesis's empirical study to the applicability and efficacy of the analytical framework of neoclassical realism, especially regarding Japan's foreign policy analysis, and its necessary operationalization in analyzing a state's policy toward general foreign policy agendas. Lastly, future research questions are suggested at the end of this chapter.

## *2. Empirical Findings*

Since its independence, Myanmar has had little impact on the traditional international security environment or the global power balance, even if it has had some effect on regional power configurations and global political discussions about values. The Myanmar problem since the '8888 Uprising' consisted of multiple foreign policy

agendas ranging from inter-governmental political and economic relationships to democratic legitimacy, human rights protection, nation-building and domestic insurgencies as well as other human security issues. Other states and relevant non-state actors, hence, identified the foreign policy agenda of the Myanmar problem in different ways, placing different priorities and setting different policy objectives and measures. These actors' policy responses consequently formulated the multi-dimensional international structure surrounding the Myanmar problem, setting up structural costs and benefits for Japan's Myanmar policy.

Such a structural environment was certainly the dominant concern for the Japanese government in calculating the costs and benefits of its Myanmar policy. Japan's policy objectives and measures regarding Myanmar, nevertheless, cannot be primarily assumed as its only rational responses to international political structure despite the assumptions of structural realists. Japan's persistent adherence to an engagement policy was essentially sustained by a broad consensus within the Japanese government and mainstream politicians that an engagement policy line was the most practical and preferable approach toward the Myanmar problem based on their understanding about the nature of this problem and the status of societal and transnational structure. Whilst making some compromises with the changing costs and benefits of an engagement policy imposed by international political and economic structure, therefore, the Japanese government has maintained its pragmatic objectives and engagement approach toward the Myanmar problem throughout two decades since 1988.

Still, the mode of Japan's engagement policy somewhat changed from time to time in accordance not only with shifts in Japanese policy-makers' perceptions but also with the government's resource mobilization and domestic policy-making system. Japanese policy-makers' recognition of the changing international political and

economic structure since the late 1990s was certainly a major trigger for Japan to begin to conduct a somewhat proactive engagement policy toward Myanmar. Hashimoto and Obuchi attempted to work against the U.S. sanctions policy as well as to cooperate with ASEAN which was in the process of integration and development, thereby hedging against the PRC's increasing presence in the region. The Koizumi administration's critical engagement was partly motivated by the objective of enhancing the partnership with ASEAN and supporting its development as a regional political framework based on Japan's close relationship with the U.S. at that time. The Japanese government's reversal to low-key engagement from 2004 was accelerated, if not primarily motivated, by its perception of tougher international structural constraints.

The government's resource mobilization had a relatively minor but still significant impact on the government's conduct of an engagement policy. The Japanese government basically succeeded in retaining political support from mainstream politicians who promoted Japan's playing of a proactive role in the Myanmar problem through an engagement policy and bilateral friendship politicians who advocated more support for the military government, even if these politicians gradually lost their political power. This, nonetheless, in turn made some room for those domestic actors who could formally or informally participate in Myanmar policy-making, including bilateral friendship politicians and NGOs as well as Japanese companies committed to Myanmar business, to achieve their objectives and interests under the government's direction of Myanmar policy. On the other hand, although they did not have any substantial influence on the government, those domestic actors who were critical of the government's engagement policy gradually increased their voice within domestic society, coming to bring some indirect pressure on the government.

Shifts in the domestic policy-making system also had a certain influence on the mode of the government's engagement policy. Japan's ODA policy toward Myanmar in

the pre-1988 period increasingly became a structuralized organizational process involving a limited number of concerned policy-makers and domestic actors without any effective policy evaluation. Myanmar's accumulated debt problem and domestic political turmoil changed Japan's Myanmar policy-making into a bureaucratic political process involving some conflicts of interest, and with MOFA playing a coordination role. The political initiatives of Hashimoto and Obuchi from the late 1990s marked the beginning of the Japanese government's conduct of proactive engagement in a more decisive manner involving a range of domestic actors who were supportive of an engagement policy. On the other hand, Koizumi's commitment to a more critical approach toward the SPDC was generally based on close coordination between MOFA and senior political leaders. After the Depayin incident and the ouster of Khin Nyunt, MOFA's coordination of Myanmar policy-making based on a consensus with senior political leaders about basic policy direction and the declining commitment of other ministries and domestic actors holding a stake in the bilateral friendship made it easier for the Japanese government to revert to a low-key stance toward the Myanmar problem.

#### *(1) Foreign Policy Agenda*

The foreign policy agenda of the Myanmar problem was drastically transformed due to a series of events in Myanmar from 1988 to 1990. The Myanmar military government generally maintained its isolationist foreign policy and interventionist economic policy except for the short period of economic liberalization from the early to late 1990s, even if internal differences of opinion between hardliners and moderate pragmatists continued until the early 2000s. Meanwhile, Myanmar's domestic political turmoil from 1988 to 1990 created a separation of political power, which was held by the SPDC, from political legitimacy, which was won by the NLD and Aung San Suu Kyi as a result of the 1990 election. In addition, the military

government's brutal responses to public protests exposed the obvious infringements of human rights to international society, and became another trigger for the Myanmar problem to become politicized, particularly by Western countries. On the other hand, the military government was continuously concerned with the agenda of nation-building and social stability, putting much effort into settling the domestic insurgency activities of ethnic minority and other groups. However, having successfully reached ceasefire agreements by negotiation and coercion by the late 1990s with all the major ethnic minority groups except the KNU, the ethnic minority issue remained a potential destabilization factor for the SPDC in the process of Myanmar's nation-building and development. Moreover, while making conscious efforts to deal with narcotics trafficking, especially from the mid-1990s, the SPDC paid little attention to the domestic humanitarian situation, particularly migration and refugees. Myanmar's domestic mass movement in September 2007 at least partly stemmed from public frustration against worsening living standards, while the military's strengthening of operations in the border areas, especially from the mid-2000s, seemed to substantially worsen the situation of refugees and displaced persons.

## *(2) International Structure*

International structure surrounding the Myanmar problem was transformed not only by the development of the Myanmar problem itself but also by changes in other actors' power and policies. At the level of international political structure, the U.S. had little substantial interest in Myanmar from the 1970s in accordance with decreasing Cold War tension in East Asia. Subsequently, as it became the only superpower in the post-Cold War era, the U.S. accelerated its sanctions approach based on the values of democracy and human rights protection, especially after the establishment of the second Clinton administration in 1997. Having admitted Myanmar's membership in 1997, ASEAN experienced the Asian Financial Crisis and subsequent economic stagnation



from 1997, which undercut its political ability to support the SPDC based on an 'Asian values' argument. Especially from the mid-2000s, ASEAN consciously sought to coordinate closely with the UN as well as to retain the support of major related countries because it recognized its inability to have a crucial influence on Myanmar's domestic agenda. Having already attempted to improve its relationship with the Myanmar military government by reducing its support for the WFCP's insurgency activities in Myanmar, the PRC constructed a pragmatic and cooperative relationship with the SPDC after it took power. The PRC's close political ties with the SPDC became particularly strong from the late 1990s, when ASEAN countries generally became more hesitant to provide unconditional political support for the SPDC. Other countries including India, Russia and North Korea also constructed cooperative relationships with the SPDC, yet in a low-key manner and with limited scope.

At the level of international economic structure, because of the military government's continuation of an interventionist economic policy despite the short-term attempt at economic liberalization in the early to mid-1990s, Myanmar's foreign economic relations remained generally weak and narrow in actual terms. It was Japan and, to a lesser degree, West Germany that provided a significant amount of economic assistance for the military government when it faced serious difficulties in domestic economic management in the early 1970s. Yet, Myanmar's domestic political turmoil from 1988 to 1990 substantially decreased foreign economic assistance, mostly from Japan and Western countries. As a result of the SPDC's reform and opening-up policy direction from the early 1990s, Myanmar's foreign trade and investment relations deepened in a relatively balanced manner until the late 1990s. The Asian Financial Crisis and Western governments' sanctions policy line, however, substantially damaged Myanmar's foreign economic relations further constraining the SPDC's economic management which was already experiencing difficulty due to running out of foreign currency. However, the SPDC could successfully enhance its capacity to preserve

domestic macro-economic stability by earning foreign currency in return for natural gas exports to Thailand as well as by deepening economic ties with neighbouring countries, especially with the PRC. This substantially decreased the SPDC's vulnerability to the Western governments' sanctions policy even if it made the SPDC anxious about its excessive dependence on the PRC.

At the level of societal and transnational structure, the military government basically maintained its dominance in material capabilities while domestic insurgency activities prevented it from consolidating its power over the territory during the Cold War era. Besides, Myanmar's political turmoil from 1988 to 1990 separated domestic material power, which was dominated by the SPDC, and political legitimacy, which was won by the NLD and Aung San Suu Kyi as a result of the 1990 general election. Subsequently, by exercising both negotiation and coercion, the SPDC reached ceasefire agreements with all major ethnic minority groups except the KNU by the late 1990s. Moreover, the SPDC retained further control of the territory by military operations in the border areas, particularly from the mid-2000s. The NLD and Aung San Suu Kyi continued their political activities appealing to the general public and international society throughout the period. Myanmar nationals and their supporters in other countries constructed transnational networks acting for Myanmar's democratization and human rights protection which had a certain impact on the U.S. and other Western governments' Myanmar policy. Given the SPDC's successful oppression of domestic opposition, however, the actual influence of those activities on the SPDC's behaviour primarily rested on Western governments' leverage against the SPDC, which substantially decreased from the early 2000s.

### *(3) Policy-Makers' Perceptions*

This series of transitions concerning the foreign policy agenda of the Myanmar

problem as well as the international structure surrounding it set the structural costs and benefits for Japan's Myanmar policy. Japanese policy-makers generally perceived post-war Myanmar as a country in the process of postcolonial nation-building and development which had a lot in common with many other Southeast Asian countries. As a defeated imperial country in the Second World War as well being the only developed country in East Asia belonging to the Western bloc in the post-war period, many Japanese policy-makers considered that Japan should respect Myanmar's state sovereignty and political leaders' efforts for nation-building and development. This would promote regional political stability and economic development as well as establish its international political standing without causing bilateral friction. This was also a rationale based on a realistic observation of Myanmar's domestic power configuration, in which the military government was the only actor retaining enough capabilities to preserve social stability, even if it was threatened by domestic insurgency activities from time to time.

Japanese policy-makers' basic perceptions of Myanmar were largely unchanged, at least until the early 2000s. Given the SPDC's domination of material capabilities after the 1990 general election, Japanese policy-makers regarded the most practical policy direction was to engage with the SPDC so as to encourage gradual political and economic reforms based upon the preservation of Myanmar's social stability in a friendly manner. Having already recognized Myanmar's economic stagnation and accumulated debt problem in the late 1980s, many Japanese policy-makers assumed Myanmar would follow the Asian developmental state model, which could be observed in many other Southeast Asian countries, by promoting economic reform and liberalization. Despite certainly admitting the significance of the value of democracy and human rights protection, many Japanese policy-makers regarded it as something to be pursued in a gradual and pragmatic manner, which should not be enforced by what they saw as foreign governments' high-handed sanctions

approach.

The development of Myanmar's domestic situation by the early 2000s, nonetheless, gradually made Japanese policy-makers recognize the increasing difficulty of making a positive change to Myanmar's political and economic development. In this process, while the Hashimoto and Obuchi administrations emphasized assistance and advice in the conduct of proactive friendship engagement with Myanmar, the Koizumi administration took a more critical stance against the SPDC, yet still remaining in a proactive engagement process. The Depayin incident and replacement of Khin Nyunt certainly made Japanese policy-makers disillusioned with the SPDC's sincerity regarding domestic political reconciliation and the Japan-Myanmar bilateral friendship, as well as it meant losing a vital contact person within the SPDC who was willing to take an international coordination policy line. Many Japanese policy-makers still shared a strong conviction that a sanctions policy toward the SPDC was a counterproductive approach and, thus, Japan should remain in an engagement policy line in pursuit of its pragmatic objective to make a gradual change toward Myanmar's political and economic development, even if it had little prospect in the short-term.

Based on such perceptions of the Myanmar problem, Japanese policy-makers assessed the costs and benefits of its engagement policy imposed by three dimensions of international structure. Since the 1970s, when Japan began to expand its economic assistance toward Myanmar, Japan's engagement policy toward Myanmar had never been critically challenged by international structural pressures. Instead, Japanese policy-makers regarded Myanmar's domestic instability as a risk to regional political stability and that it could promote communism expansion, and so legitimized its massive economic assistance as Japan's contribution to the Western bloc and response to the North-South problem, and that it enhanced the promotion of bilateral friendship with Asian countries. After Myanmar's domestic political turmoil from 1988 to 1990,

however, Japanese policy-makers perceived increasing pressures, if still relatively moderate, especially from the U.S. and other Western countries accusing Japan's engagement policy of neglecting the value of democracy and human rights protection. In observing neighbouring countries' deepening relationships with the SPDC, nonetheless, some Japanese policy-makers considered it not only necessary but also less difficult to continue its engagement policy toward the SPDC in a low-key manner in both political and economic terms.

After the Asian Financial Crisis and the escalation of the U.S. sanctions approach from the late 1990s, many Japanese policy-makers, including some senior political leaders, perceived a more urgent necessity to conduct proactive engagement toward the SPDC for the purpose of countering the high-handed U.S. approach to Asia as well as supporting ASEAN's development as a regional political framework, thereby hedging against the PRC's growing presence in Southeast Asia. Subsequently, the Koizumi administration, which adopted a more critical stance against the SPDC, shifted its emphasis to strengthening the partnership with ASEAN so as to build-up its internal problem-solving ability based upon Japan's improved relationship with the U.S. at that time. In the mid-2000s, however, Japanese policy-makers perceived tougher pressures from the U.S., especially at the UN Security Council, to join its efforts to strengthen international pressure on the SPDC. In combination with the declining prospect of bringing about positive change in Myanmar and its loosening connections and leverage with the SPDC, Japanese policy-makers reluctantly admitted that a less problematic policy was to adopt a low-key and risk-averse posture as well as to emphasize coordination with ASEAN and the UN in dealing with the Myanmar problem.

#### *(4) Resource Mobilization*

The Japanese government's domestic resource mobilization also had some

impact on the mode of Japan's engagement policy because domestic actors' power and interests within the Myanmar policy-making system were largely transformed and required the government, at least on some occasions, to take them into account and to compromise with them. In the pre-1988 era, the government's default engagement policy was supported by pro-Myanmar politicians and bilateral friendship organizations as well as Japanese companies carrying out business in Myanmar, and was almost unchecked by other domestic actors. It was from the late 1980s, when Myanmar's accumulated debt problem became serious and domestic political turmoil occurred, that some Japanese newspapers began to raise questions about Japan's massive economic assistance to Myanmar. It was also at this time that a bipartisan Diet members' league for Myanmar's democratization was established as well as non-governmental pro-democracy organizations of Myanmar residents and their supporters in Japan. These domestic voices criticizing the government's Myanmar policy, however, remained generally weak and fragmented.

From the late 1990s to the early 2000s, when the Japanese government conducted a proactive engagement policy toward Myanmar, the politicization of the Myanmar problem fuelled a domestic debate on Myanmar policy as well increased the range of domestic actors participating in Myanmar policy-making. Especially in deciding aid provision for larger-scale ODA projects, it was necessary for the Japanese government to coordinate and compromise with coalition partners and other domestic actors carrying out rent-seeking activities within the policy-making system despite that system being initiated by senior political leaders. The Depayin incident and the ouster of Khin Nyunt, however, caused many domestic actors advocating an engagement policy based on bilateral friendship to lose their power and motivation within Myanmar policy-making. On the other hand, although they had relatively minor power within Myanmar policy-making, domestic pro-democracy politicians and NGOs strengthened their critical voice against the SPDC and the government's engagement policy toward it,

and some even advocated putting further pressure on the SPDC through sanction measures. Still, many mainstream politicians in the end supported the Japanese government's engagement policy line, even if they urged it to play a more proactive role in a critical manner.

#### *(5) Domestic Policy-Making System*

Japan's domestic policy-making also certainly had a significant impact on the mode that the Japanese government decided and implemented in its engagement policy with Myanmar. In the pre-1988 era, while Japan's decision to re-negotiate war reparations and to expand ODA provision was made at an executive level, the government's default engagement policy became increasingly structuralized and was carried out through an organizational process in a manner of 'business-as-usual' until the late 1980s. Within this structuralized domestic policy-making of default engagement, there were essentially no conflicts of interest among related domestic actors, including related ministries, bilateral friendship politicians and NGOs, as well as Japanese companies working in Myanmar. Yet, both Myanmar's accumulated debt problem and political turmoil in the late 1980s posed a serious challenge to this structuralized default engagement by causing conflicts of interest among domestic actors, leading to the formulation of certain bureaucratic politics within Myanmar policy-making. Until the late 1990s, therefore, Japan's Myanmar policy-making revealed both conflicts and coordination among concerned policy-makers and domestic actors. Even so, this resulted in a consensus that without senior political leaders' initiatives Japan should remain in a low-key and risk-averse posture toward the development of the Myanmar problem.

After the Asian Financial Crisis and the strengthening U.S. sanctions policy in the late 1990s, Japan's Myanmar policy-making began to involve senior political

leaders' initiatives, making the policy more coherent even if it was still necessary to compromise with concerned policy-makers and domestic actors on some occasions. Whilst the Hashimoto, Obuchi and Mori administrations carried out information exchanges with a wider range of domestic actors, the Koizumi administration's Myanmar policy was decided and conducted based on closer coordination between senior political leaders and MOFA. Since the Depayin incident and the ouster of Khin Nyunt, nonetheless, not only related ministries but also senior political leaders largely lost their stake and motivation to play a proactive role in Myanmar policy-making. Japan's Myanmar policy, therefore, was conducted primarily by MOFA's coordination based on its organizational responses to the development of the Myanmar problem, resulting in a low-key and risk-averse posture even though some senior political leaders continued to seek opportunities to take other initiatives.

### *3. Implications for Japan's Foreign Policy Analysis*

Based on the empirical findings discussed above, this section examines the plausibility of the major conventional arguments on Japan's foreign policy in general and Myanmar policy in particular, namely 'reactive state', 'mercantile realism', 'reluctant realism', 'adaptive state', 'grand strategic reorientation', 'special relationship' and 'special interests'. By doing so, this section concludes that each of these arguments has shortcomings in explaining Japan's Myanmar policy, leading to the introduction in the next section of 'problem-driven pragmatism' as a new model of Japan's foreign policy.

#### *(1) 'Reactive State'*

Some Japanese policy-makers, especially some MOFA officials, had certainly



been concerned about negative U.S. responses to Japan's behaviour regarding the Myanmar problem. This led the Japanese government to be hesitant to resume large-scale economic assistance, especially during the period from the '8888 Uprising' to the late 1990s. At the same time, Japan's Myanmar policy-making revealed the features of bureaucratic politics during this period, which, at least to some extent, prevented the Japanese government from adopting a proactive policy toward the Myanmar problem. In this regard, the 'reactive state' model seems to have some validity in explaining Japan's low-key responses toward the development of the Myanmar problem from 1988 to 1996. Moreover, the U.S. government consciously attempted to influence Japan's Myanmar policy on some occasions and actually succeeded in, for example, making Tokyo approve the U.S. proposal to raise the Myanmar problem as a formal agenda item at the UN Security Council in September 2006. In the end, however, the U.S. could have never altered the Japanese government's pragmatic objective in making a gradual change toward Myanmar's political and economic development nor could it have forced Tokyo to shift from an engagement approach to a sanctions approach. Rather, the Japanese government, especially from the late 1990s, consciously worked against the U.S. sanctions approach because of its counterproductive effect on the Myanmar problem. The Japanese government assessed the structural costs and benefits in pursuing its pragmatic objectives and, if necessary, adjusted the mode of its engagement policy rather than set its foreign policy goal in response to U.S. pressure. The 'reactive state' model, therefore, has less plausibility in providing a comprehensive explanation of Japan's Myanmar policy in the post-Cold War era.

## (2) *'Mercantile Realism'*

Many Japanese policy-makers recognized Myanmar's economic and natural resources potential, and continuously sought opportunities to unfold the potential of the Myanmar economy by encouraging the military government to undertake an economic

reform and liberalization policy. The military government's interventionist economic policy and Myanmar's unimproved business environment, nonetheless, largely prevented Myanmar from achieving economic development. In the pre-1988 period, whilst providing some ODA-related business opportunities for Japanese companies, Japan's massive economic assistance never resulted in the cultivating of substantial economic interests or of retaining a supply of vital natural resources from Myanmar at the macro level. In fact, the Japanese government did not disburse ODA primarily for mercantile objectives but rather for broader objectives including Japan's promotion of bilateral friendships with Asian countries, its contribution to the U.S. Cold War strategy, and to deal with the North-South problem. It certainly considered ODA as seed money for future economic interests, but this should be regarded as a supplemental objective. In the post-1988 period, some Japanese policy-makers were concerned about Japanese companies' losses due to the suspension of on-going ODA projects; these policy-makers also wanted to support Japanese companies' business operations in response to the SPDC's economic liberalization policy in the early 1990s. However, as it was concerned about Myanmar's accumulated debt problem from the late 1980s, the Japanese government's economic policy toward Myanmar emphasized the encouragement of the SPDC's economic liberalization as well as the promotion and facilitation of private business activities. In the end, there seems to be little evidence to claim that Japan's mercantile interests, rather than its pragmatic objective to promote Myanmar's gradual political and economic development, was the primary objective of Japan's Myanmar policy throughout the period.

### (3) *'Reluctant Realism'*

Especially after the Asian Financial Crisis and the acceleration of the U.S. sanctions policy, the Japanese government recognized the transitions in international structure surrounding the Myanmar problem and started attempts at proactive

engagement with Myanmar. In other words, it could be argued that the Japanese government consciously pursued an autonomous foreign policy toward Myanmar, which was clearly different from the U.S. sanctions approach. In addition, many Japanese policy-makers occasionally expressed concerns about the PRC's growing presence in Myanmar and some explicitly advocated more support for the SPDC so as to counterbalance the PRC. It should also be noted that such discourses had functioned as a rationale for some Japanese policy-makers in explaining the necessity of an engagement policy in relation to the U.S. government as well as in asking for political support for an engagement policy to the domestic actors who were advocating 'China threat' arguments.

However, there seems not to be sufficient evidence to conclude that Japan's Myanmar policy was primarily motivated by balance-of-power considerations or relative gain in relation to the PRC. In terms of policy implementation, on the one hand, Japan's Myanmar policy had been far too weak and indirect to counterbalance the PRC's deepening relationship with the SPDC. The Japanese government should have taken a policy line closer to unconditional support for the SPDC if it really did prioritize counterbalancing the PRC, as some Japanese politicians had actually advocated. To put this in another way, when considering Japan's adherence to an engagement policy throughout the period and its slight shift to a critical engagement policy toward the SPDC from the 2000s after the circulation of 'China threat' arguments, it is unlikely that the Japanese government would have conducted a Myanmar policy substantially different from the actual one even with or without the China factor.

On the other hand, even among Japanese policy-makers, there were different views concerning the strategic objectives for Japan's Myanmar policy: some emphasized the necessity to respond to the PRC's growing influence and some to balance the U.S. sanctions approach, while others advocated strengthening Japan's

partnership with ASEAN so as to enhance ASEAN's problem-solving ability as a regional political framework. In fact, it seemed that Japanese policy-makers' emphasis among these three strategic objectives slightly shifted from time to time. Particularly concerning the China factor, despite the circulation of 'China threat' arguments Japanese policy-makers did not reach a consensus about what counterbalancing the PRC over the Myanmar problem exactly meant and why it was an essential objective for Japan. In fact, while at least having partly responded to the SPDC's move to get closer to the PRC, the Hashimoto, Obuchi and Mori administrations at best aimed at hedging against the PRC's growing presence in Southeast Asia by cooperating with ASEAN rather than directly counterbalancing the PRC. In sum, the 'reluctant realism' argument has some validity in explaining Japan's conscious pursuit of an autonomous Myanmar policy that was different from the U.S. sanctions approach and the PRC's unconditional support approach, while it is not plausible enough in overemphasizing Japan's counterbalancing against the PRC and missing Japan's original perception and pragmatic objective for the Myanmar problem as well as its recognition of ASEAN's increasing significance.

#### (4) *'Adaptive State'*

The 'adaptive state' would be a relatively more plausible conception in explaining Japan's Myanmar policy than other conventional arguments yet it still has some shortcomings. The empirical study of Japan's Myanmar policy suggests that Japan has a relatively coherent set of policy objectives toward the Myanmar problem while pursuing them by making compromises with international structural pressures. In addition, the Japanese government preferred to promote Myanmar's economic reforms and liberalization as well as cooperate with the UN secretary-general and special envoy, both of which can be understood as examples of Japan's pragmatic liberalism. The Japanese government's perception of a regional political system, however, seems to be

primarily based on a statist perspective and the primacy of political stability, which should be comprehended as its positive preference to maintain a sovereign state system within a region of weak nation-states with many social risk factors rather than its passive adaptation to existing political structure. The distinctive feature of Japan's Myanmar policy, and probably its Southeast Asian policy in general, seems to be a pragmatic combination of a statist perspective for a regional political system and an evolutionary perspective for the regional trend of economic liberalization and private sector-led integration. In addition, the 'adaptive state' is ambiguous in its explanation of when Japan becomes adaptive to structural pressures, when Japan proactively pursues liberal objectives, and why these happen.

(5) *'Grand Strategic Reorientation'*

The transitions in international structure surrounding Japan's Myanmar policy from the late 1990s certainly fuelled a political debate in Japan on its foreign policy direction, especially from the viewpoint of post-Cold War Japan's relationships with the U.S. and Asia. Actually, the spectrum of domestic discourses on Japan's Myanmar policy from a sanctions approach, a critical engagement approach, a friendship engagement approach to an unconditional support approach are somewhat overlapping, if not perfectly matching, with the one of the grand strategic discourses that Samuels suggests from 'pacifists', 'middle power internationalists', 'normal nation-alists' to 'neoautonomists'.<sup>180</sup> In actual Myanmar policy-making, however, mainstream politicians basically supported either a critical or a friendship engagement approach and other options never became serious policy options within the Japanese government, especially after the late 1990s. In other words, whilst the transitions in international

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<sup>180</sup> Most SDP members who can be categorized as 'pacifists' generally supported a sanctions approach while many right-wing statist who can be categorized as 'neoautonomists' tended to support an unconditional support approach. Some confusion can be observed in two other categories because the basic conceptions of 'normal nation-alists' and 'middle power internationalists' do not give a clear direction to Myanmar policy. Amongst 'normal nation-alists' pursuing political prestige, for example, Koizumi promoted critical engagement while Abe supported friendship engagement.

structure certainly diversified Japanese policy-makers' perceptions of structural pressures, mainstream politicians debated their pragmatic objectives for Myanmar policy within a relatively small band of policy options.

(6) *'Special Relationship'*

In the pre-1988 period, bilateral friendship politicians and other policy-makers engaging in the Japan-Myanmar relationship, at least subjectively maintained their friendships with Myanmar political leaders based on an historical bilateral relationship, thus more or less supporting Japan's ODA provision to Myanmar in the domestic policy-making system inasmuch to other Asian countries with deep historical relationships. There seemed to be, however, little evidence that such a special relationship substantially increased the amount of Japan's assistance to Myanmar in the pre-1988 period in comparison to amounts to other Asian developing countries. Besides, most bilateral friendship politicians and other domestic elites with direct historical memories, including war veteran business people, had retired or lost political power by the mid-1990s. It is, therefore, too far to claim that Japan's Myanmar policy was primarily motivated by bilateral special relationships among political and business elites throughout the post-1988 period.

It is, nonetheless, true that many Japanese politicians and other policy-makers often described Myanmar as a pro-Japan friendly country, raising it as a rationale for Japan's commitment to the Myanmar problem. In fact, Hashimoto and Obuchi's initiatives of proactive engagement seemed to be at least partly motivated by an embedded assumption that the SPDC would respond positively to Japan's efforts to support Myanmar based on bilateral friendship and mutual confidence, which would in turn lead to a promotion of Myanmar's involvement in international cooperation frameworks and its transition to economic liberalization and subsequent

democratization. Yet, the same embedded assumption can be observed in Japan's default engagement policy toward many other East Asian countries. What is more, such a discourse among Japanese politicians and other policy-makers had at best functioned in combination with other substantial objectives and in many cases been utilized to gain wider support for an engagement policy among Japanese policy-makers and other domestic actors.<sup>181</sup> In the end, there seems to be little evidence that the Japanese government was primarily motivated by an inter-governmental special relationship in its conduct of Myanmar policy, especially from the mid-1990s.

(7) *'Special Interests'*

Japan's massive economic assistance to Myanmar in the pre-1988 period resulted in the development of ODA-related political and business interests, even if it did not have wider synergistic effects on Japanese business activities in Myanmar due to the military government's interventionist economic policy and Myanmar's unimproved business environment. The Japanese government's suspension of economic assistance after the '8888 Uprising', especially of on-going yen loan projects, certainly harmed established political and economic interests. Consequently, lobbying and rent-seeking activities of those who held established interests and those who were later involved in Myanmar policy-making emerged. Such activities presumably influenced the Japanese government's decision to resume some on-going ODA projects in February 1989 as well as its selection of policy measures to disburse internationally controversial economic assistance including the Yangon airport project and the Baluchaung hydro power plant project. It is, however, implausible to regard special interests as the primary motivation behind Japan's ODA policy toward Myanmar, especially when considering that the decisions concerning ODA provision to the Yangon airport project and the Baluchaung

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<sup>181</sup> This, however, does not discount the fact that many Japanese people engaging in the Japan-Myanmar relationship actually held a certain attachment to the Myanmar people and society, probably to a larger extent than was the case with other Asian countries.

hydro power plant project were only made after senior political leaders undertook political initiatives which seemed to be triggered by the development of the Myanmar problem and transformations of international structure. It is also noteworthy that special interests arguments cannot explain the Japanese government's adherence to an engagement policy line in spite of the declining prospects for business in Myanmar after the late 1990s and the cancellation of remaining yen loan projects in 2001. As a whole, special interests seemed not to have shaped or overridden the government's basic policy direction but, if anything, were incorporated into that direction.

#### *4. 'Problem-Driven Pragmatism' as a New Model*

In the case of Japan's post-1988 Myanmar policy, international structure posed critical tradeoffs to Japan's foreign policy toward the Myanmar problem. When observing the costs and benefits imposed by the multi-dimensional international structure Japan could have theoretically chosen any of three options: an engagement approach, an unconditional support approach or a sanctions approach. The primary reason that Japan adhered to an engagement policy for more than two decades was because of the Japanese government's perception that the Myanmar problem was essentially a transitional one of an Asian postcolonial country moving toward nation-building and development. In other words, Japan certainly attempted to achieve a long-term, pragmatic objective in its conduct of Myanmar policy. The development of the Myanmar problem, meanwhile, caused transitions in the multi-dimensional international structure, thereby shifting the mode of Japan's engagement policy on some occasions. This was because Japanese policy-makers pragmatically assessed the costs and benefits of implementing an engagement policy and made necessary efforts to minimize negative reflections of structural pressures by adjusting the mode of its engagement policy.



At the domestic level, Japan's Myanmar policy was conducted based on a shared perception among Japanese policy-makers that the most practical and preferable policy line toward the Myanmar problem was an engagement approach aiming to bring about a gradual change in Myanmar's political and economic development which would eventually contribute to regional stability and progress. Yet, Japan's actual policy-making was not carried out in a deductive manner but as a series of responses to events with regard to the Myanmar problem. This was primarily because Japanese policy-makers generally preferred a low-key and risk-averse policy for Myanmar except when they perceived the necessity to respond urgently, which was the strongest incentive for them to promote difficult decision-making within the domestic policy-making system. The period between 1997 and 2004 was certainly a time when senior political leaders perceived an urgent necessity to respond to the development of the Myanmar problem in pursuit of their pragmatic objectives.

This characteristic can be generalized into a model of Japan's foreign policy, which this thesis calls 'problem-driven pragmatism'. 'Problem-driven pragmatism' refers to a state's behavioural pattern to take actions for practical problem-solving in pursuit of incremental and pragmatic improvements in concrete problems while at the same time making necessary compromises with structural pressures and existing systems. Whilst structural realism assumes that a state makes consistent and rational responses to international political structure, 'problem-driven pragmatism' explains the dynamic process in which a state makes a series of problem-specific responses by calculating the costs and benefits imposed by multiple dimensions of international structure.

In analyzing Japan's foreign policy, structural realist perspectives often have difficulty in explaining Japan's specific foreign policies, leading to the conclusion that

Japan is a 'non-strategic' or even 'paralyzed' country. 'Problem-driven pragmatism' suggests that this is because Japan's foreign policy-making is at least subjectively motivated by concrete problems that Japan has to address, and Japan practically examines available policy options to solve problems based on its long-term pragmatic objectives. In so doing, Japan evaluates the costs and benefits of each policy option which are imposed by multiple dimensions of international structure. This sometimes leads to Japan's apparently inconsistent behaviour even though Japan holds relatively coherent perceptions of international structure; Japan generally has a conservative perspective for international political structure and an evolutionary perspective for international economic development and multilateral frameworks. This is why Japan generally prefers to pursue its pragmatic objectives by employing a quiet rule-based approach so as to minimize the risk of international political controversy, whilst taking decisive policy initiatives when recognizing concrete problems which demand an urgent policy response from Japan.

In the conduct of its Southeast Asian policy, post-war Japan was highly aware of the risk that domestic problems of Southeast Asian countries would destabilize the regional political system. Japan thus showed a tendency to deal with those problems by prioritizing regional political stability and gradual development based on a statist perspective, assessing local power configurations realistically, and preferring to take an engagement approach in order to bring about incremental and pragmatic improvements to arising problems. In so doing, Japan made necessary compromises with the constraints of international political and economic structure. Particularly in the post-Cold War era, it became necessary for Japan to deal with three major factors in international political structure: the U.S. as a global power and Japan's most significant ally; ASEAN as a materially weaker but politically important regional entity in the process of development; and, the PRC as a growing power increasing its presence in East Asia. Within international economic structure, post-Cold War Japan needed to pay

attention to the U.S., ASEAN and the PRC while at the same time recognizing that region-wide economic liberalization and private sector-led integration were essential trends which Japan should promote and take advantage of.

Japan's 'problem-driven pragmatism' is to some extent sustained by its domestic policy-making system. In the post-war era, the bureaucracy has primarily coordinated Japan's foreign policy-making even if some senior political leaders undertook their own initiatives in a limited number of foreign policy agendas. It has been recently argued that, in accordance with the dilution of Japan's iron triangle, a wider range of domestic actors were allowed room to formulate a policy coalition alternative to the traditional foreign policy circle. However, it is extremely difficult to circumvent bureaucratic coordination of Japan's foreign policy-making process, especially when Japan substantially reorients its foreign policy direction. This is to a large extent because the identification of foreign policy agendas, the gathering of related information, and the examination of available policy options are all principally based on bottom-up input from the bureaucracy. This makes Japan's policy-making process essentially problem-driven; an urgent necessity to address concrete problems is the strongest motivation for Japan to change its policy direction in a pragmatic manner within the policy-making system. While some senior political leaders initiated specific foreign policies which affected the decisiveness of Japan's foreign policy implementation, there are still few political leaders and other domestic actors who can set the foreign policy agenda by themselves or override information and policy options suggested by bureaucrats.

From a structural realist perspective, such a characteristic of Japan's foreign policy can be regarded as an essentially reactive or non-strategic behavioural pattern. Yet, 'problem-driven pragmatism' is in fact consistent with the basic premise of defensive realism in terms of a state taking necessary action to ensure its security in a

less-assertive manner within the constraints of international political structure. The focus of this model is to explain the way in which a state pursues diverse policy objectives by making pragmatic compromises with existing multi-dimensional international structure. In other words, without exclusively focusing on international political structure, a 'problem-driven pragmatism' state assesses the costs and benefits of available policy options with regards to a foreign policy problem and practically adjusts its policy direction in accordance with the development of the problem and transitions in multiple dimensions of international structure.

How far, then, can the model of 'problem-driven pragmatism' be generalized to Japan's foreign policy and Southeast Asian policy in particular? The focus of this model is to explain Japan's behavioural pattern of taking external actions to practically solve concrete problems by making necessary compromises with structural pressures and existing systems. This basic pattern can be observed in many cases of Japan's foreign policy. Even in the area of security policy, Japan shows this pattern in its low-key and risk-averse approach toward expanding the role of the SDF in response to a series of problems in the post-Cold War era (Samuels, 2007: 87-89). While it is necessary to be further tested through more empirical studies, 'problem-driven pragmatism' can be understood as a model applicable to a wide range of Japan's foreign policies. If so, the next question would be what kind of pragmatic objectives is Japan pursuing within current international structure with its behavioural pattern of 'problem-driven pragmatism'?

This thesis suggests that Japan generally prefers to make practical incremental improvements to concrete problems based on a conservative assessment of international political structure and an evolutionary perspective on international economic development and multilateral frameworks. Especially in its Southeast Asian policy, post-war Japan perceived that many Asian postcolonial countries were in the process of

nation-building and development and thus it was necessary to maintain regional political stability based on respect for state sovereignty and political leaders' efforts. This led to Japan's general preference for encouraging gradual and practical improvements in Asian countries' domestic problems by employing an engagement approach in inter-governmental relationships. Japan's friendship engagement in combination with economic assistance provision during the Cold War era was largely consistent with Japan's strategic objectives, including its contribution to the U.S. Cold War strategy, its response to the North-South problem in East Asia, as well as the necessity to reconstruct mutual confidence with Asian countries and to promote its economic security and interests. Moreover, such a policy direction functioned well domestically in terms of accommodating the domestic interests of bilateral friendship politicians and the business sector insofar as recipient countries did not cause substantial political and social problems.

As an example, in the post-war era, Japan perceived that Indonesian President Sukarno's provocative and communism-inclined external attitude in the early to mid-1960s stemmed from his weak power base in Indonesia, which was in the process of nation-building and development. Japan, thus, provided support to him in order to prevent Indonesia from being drawn into the PRC's sphere of influence despite the Western governments' antipathy to Sukarno. In response to the subsequent coup d'état and Suharto's takeover of power in the mid-1960s, Japan swiftly moved to provide support for Suharto based on its assessment of his consolidation of domestic political power. In a comparable example, Japan observed the Vietnam War primarily as a product of Vietnam's political leaders' aspirations for independence and nation-building rather than as part of a transnational communist movement; a lesser consideration was the domino effect of the establishment of communist Vietnam in international political structure. This led to Japan's reluctance to provide proactive support to U.S. military operations as well as its prompt moves regarding normalization and economic

cooperation with communist Vietnam at the end of the Vietnam War.

In the post-Cold War era, nonetheless, there seems to have been a gradual shift in Japan's pragmatic objectives, at least in some aspects, in response to concrete problems emerging in East Asia. During the collapse of the Cold War structure, by realistically assessing the local power configurations in Cambodia, at a peace conference in Tokyo in June 1990 Japan proposed to agree on power sharing among major local factions to settle the Cambodian conflict. In addition, in a similar case to that of the Myanmar policy, Japan maintained an engagement policy toward Iran's authoritarian rule presumably for the purpose of bringing about gradual and practical changes despite the hard-line U.S. policy. From the 1970s, Japan conducted an engagement policy to promote the PRC's international coordination and economic liberalization policy and the maintenance of domestic stability; on the other hand, especially from the late 1990s, Japan perceived both opportunities and threats in the PRC's growing political and economic presence and did not stick exclusively to an engagement policy line. Moreover, despite some attempts to engage with North Korea in the post-Cold War era, Japan gradually shifted its policy to one of 'talk and pressure' probably in pursuit of a security and nationalist agenda, especially from the early 2000s.

This shift in pragmatic objectives suggests that Japan is no longer exclusively pursuing friendship engagement based on its traditional perspective of international structure in East Asia. Yet, Japan's policy shift has remained a pragmatic and incremental one in order to deal with specific emerging problems in the region. In other words, Japan's conservative perception of regional political stability as well as its evolutionary perspective on economic progress and multilateral frameworks development seems to be largely unchanged. Thus, Japan still pursues its pragmatic objectives in response to concrete problems in a practical and incremental manner based on its examination of the costs and benefits imposed by multi-dimensional international

structure. More specifically, the model of ‘problem-driven pragmatism’ indicates that Japan’s shifts in its policy toward the PRC and North Korea, among others, are primarily because of Japan’s changing perception of the nature of identified problems; and yet, Japan’s behavioural transitions still stem from its problem-specific assessment of tradeoffs that undergo a problem-responsive practical process. This needs to be further examined by detailed empirical case studies.

### *5. Theoretical Implications for the Neoclassical Realism Framework*

This thesis has examined the applicability and explanatory power of neoclassical realism with regard to Japan’s foreign policy. The empirical study of Japan’s Myanmar policy demonstrates neoclassical realism’s strength in providing a consistent explanation to the question as to why Japan employed a particular direction of foreign policy in comparison to other theories of foreign policy analysis.

From a structural realism perspective, it is difficult to judge which particular policy approach among three main theoretical policy options was the most rational one for the Japanese government: a sanctions approach, an unconditional support approach or an engagement approach. A sanctions approach would have certainly harmed Japan’s bilateral political and economic interests as well as Japan’s presence in Southeast Asia while it would probably have resulted in less friction with the U.S. and other Western governments. Especially from the early 2000s, a limited sanctions approach should have become a more possible policy option for the Japanese government when considering its minimal political and economic interest in the Japan-Myanmar relationship.

An unconditional support approach, on the other hand, would have maximized

Japan's bilateral political and economic interests as well as Japan's prestige in the region if it had resulted in Myanmar's economic development and international cooperation policy, as could be more or less observed with Japan's China policy after the Tiananmen Square incident. If the Japanese government had been seriously concerned with its relative gain against the PRC, this approach should have been the best possible policy option throughout the period. In taking this approach, however, Japan would have obviously invited international criticism and pressure from the U.S. and other Western governments.

While supposedly a more moderate approach compared to the two other approaches, especially when considering short-term international structural pressures, it could be predicted that an engagement approach would be criticized as lukewarm and damaging to bilateral friendships and Japan's international prestige, especially if it did not bring about any positive change to the Myanmar problem. It is, therefore, difficult to explain Japan's adherence to an engagement policy only from the perspective of structural realism which assumes a state's rational responses to the costs and benefits imposed by international power configuration.

The empirical study of Japan's Myanmar policy suggests that domestic factors, namely domestic norms, domestic actors' interests and the domestic policy-making system, do not shape a state's foreign policy independently despite *innenpolitik* theories' assumption of the primacy of these factors. Japan's Myanmar policy can be understood as a policy within the boundaries of limited rationality that neoclassical realists assume to be given by international structure. The empirical study implies that domestic norms, which a 'special relationship' argument points out, become a significant factor when they are shared by relevant policy-makers and actually reflected in identifying foreign policy agendas, perceiving international structure, and consequently formulating a state's foreign policy. Similarly, the empirical study suggests that domestic actors'



specific interests, which a 'special interests' argument emphasizes, become a significant factor when they are connected with policy-makers' policy direction and accordingly reflected in the process of foreign policy-making. In addition, the result of this thesis's empirical study shows that Japan's domestic policy-making system, particularly the existence of senior political leaders' commitment and the mode of interactions among domestic actors, affects the consistency and decisiveness of foreign policy implementation while not directly shaping the foreign policy direction itself.

The implications mentioned above suggest that neoclassical realism can make up for the shortcomings of other theories of foreign policy analysis and provide a more persuasive explanation for Japan's foreign policy. The empirical study shows that international structure sets up basic conditions for a state's conduct of foreign policy by generating the costs and benefits of a state's external actions or inactions; while a state's policy-makers interpret information about foreign policy agendas, set policy objectives, assess the costs and benefits imposed by international structure, and decide a state's foreign policy through their interactions within the policy-making system. Especially when a state faces considerable ambiguity in policy outcomes or tradeoffs among multiple policy options which are apparently rational enough, it is necessary for a state's policy-makers to choose a policy based on their own perceptions or to address differences of opinion among them, resulting in taking a particular course of responses toward the foreign policy agenda of concern. This does not mean that there is no possibility that a state may employ a policy beyond the boundaries of limited rationality that neoclassical realism assumes, as *innenpolitik* theories claim, especially when limited and unclear information about international structure prevents policy-makers from identifying a rational policy. Insofar as having sufficient information about the status of international structure, however, it is more likely for a state's policy-makers to respond to structural pressures in a fairly rational way, especially when they are directly linked with a state's traditional security environment.

However, there is a possibility that such structural pressures do not reveal the single policy option that a state should take as the only rational policy because of the ambiguity of policy outcomes or tradeoffs among multiple policy options, especially concerning foreign policy agendas which have less direct linkage with urgent traditional security and thus are less relevant to the primacy of international political structure. Then, where do such ambiguities of policy outcomes or tradeoffs among multiple policy options come from? The empirical study of Japan's Myanmar policy suggests that the existence of multiple foreign policy agendas and political games on multiple dimensions of international structure can cause critical tradeoffs among different agenda items and different dimensions of international structure as well as ambiguity in policy outcomes stemming from multiple effects of a state's foreign policy.

In the case of Japan's Myanmar policy, there were three factors that broadened the room that policy-makers had for interpretation and calculation in deciding a foreign policy direction. Firstly, the Myanmar problem, especially after the 1990 general election, consisted of multiple foreign policy agendas in response to which other countries set different policy priorities. This is largely because Myanmar never posed a serious traditional security threat to any other country and thus other countries responded to the Myanmar problem by identifying different foreign policy agendas in Myanmar and setting different priorities among them. Whereas Western governments, which had minimal political and economic interest in Myanmar, perceived the Myanmar problem as a challenge to the values of democracy and human rights, Japanese policy-makers generally regarded it as a problem in the process of nation-building and development. They also recognized the implications for regional political stability and development and placed priority on policies which encouraged Myanmar's gradual political and economic development.

Secondly, being an aggregate of multiple foreign policy agendas, the Myanmar problem allowed policy-makers to place it along different dimensions of international structure, leading to certain perception gaps among policy-makers regarding their understanding of the status of international structure. Insofar as assuming the primacy of international political structure which directly affects a state's traditional security or external power balance, policy-makers tend to neglect or at most give secondary significance to other dimensions of international structure. Yet, if policy-makers are allowed to consider not only international political structure but also other dimensions of international structure, then there can be some room for policy-makers to evaluate the tradeoffs in costs and benefits imposed by multiple dimensions of international structure. In fact, in formulating their Myanmar policy, Japanese policy-makers paid attention to three dimensions of international structure: international political structure; international economic structure; and, societal and transnational structure, being particularly conscious of the military government's dominant material power in societal and transnational structure. The assessment of multi-dimensional international structure can also be a source of perception gaps regarding structural pressures among a state's policy-makers, leading to differences of opinion in policy objectives and measures.

Thirdly, for Japanese policy-makers, the outcomes of its foreign policy toward the Myanmar problem were largely ambiguous because it caused multiple effects; direct effects on the Japan-Myanmar bilateral relationship and its relationships with other countries and also possible impacts on the development of the Myanmar problem itself which would, in turn, transform the international structure surrounding the Myanmar problem. Japan's proactive engagement with controversial ODA provision from the late 1990s was a risky policy choice as it could only result in international and domestic criticism without necessarily leading to a positive response from Myanmar's political leaders. Japanese political leaders, however, held an expectation that the SPDC would respond positively to Japan's efforts based on bilateral friendship and its sincerity

toward political and economic development. Instead they worried that Japan's presence in the region would be diminished if it did not formulate an autonomous policy toward the Myanmar problem.

In sum, the existence of multiple foreign policy agendas, multiple dimensions of international structure and ambiguity in policy outcomes, which can often be observed in general foreign policy agendas, can make it necessary for a state's policy-makers to interpret the costs and benefits imposed by international structure, predict policy outcomes and deal with crucial tradeoffs based on their own perceptions as well as address possible differences of opinion among them. In fact, the most challenging task of this thesis was to apply neoclassical realism, which is generally used to explain a state's 'grand strategy' or foreign policy toward security and high-politics issues, to a state's foreign policy regarding general foreign policy agendas, which have little impact on a state's traditional security or surrounding material power balance but still pose a significant challenge to a state's foreign policy. In such cases, even if international structural incentives are relatively clear, a state's policy-makers have some room for interpretation and calculation in identifying foreign policy agendas, setting policy objectives, evaluating structural costs and benefits and predicting policy outcomes. This thesis, therefore, suggests that in operationalizing the framework of neoclassical realism for analyzing a state's policy toward a general foreign policy agenda, especially when having less direct linkage with urgent traditional security, it is necessary to examine multiple foreign policy agendas and multiple dimensions of international structure as well as policy-makers' perceptions of them so as not to ignore the critical tradeoffs among the costs and benefits and ambiguity in policy outcomes which a state's policy-makers face.

## *6. Future Research Questions*

This thesis has analyzed the case of Japan's Myanmar policy in the post-Cold War era in order to provide empirical grounds for the study of Japan's Myanmar policy, contributing to the debates on post-Cold War Japan's foreign policy, particularly Southeast Asian policy, as well as extracting implications for the applicability of neoclassical realism to Japan's foreign policy analysis. Yet, this thesis's contribution to the debate on Japan's foreign policy has an obvious limitation in examining only one case study. Also, Japan's relatively minor interest in its relationship with Myanmar could possibly make this thesis's empirical study ineffective in testing the relative significance of Japan's pragmatic objectives to other more substantial interests in traditional or economic security agendas. However, the thesis does provide credible evidence that Japan's foreign policy reveals a behavioural pattern of 'problem-driven pragmatism' and is basically guided by Japan's conservative perceptions of regional political stability as well as its evolutionary perspective on international economic progress and multilateral frameworks development.

It is, therefore, indispensable to test other cases of Japan's foreign policy in order to examine the plausibility of the model of 'problem-driven pragmatism'. Japan's general perceptions of multi-dimensional international structure and its pragmatic objectives in dealing with domestic problems may be observed in its policy toward Cambodia and Iran as well as Japan's emphasis on non-traditional security or human security, especially in its Southeast Asian policy. It is also necessary to examine how far Japan's behavioural pattern to take actions for practical problem-solving in pursuit of pragmatic improvements in concrete problems by making necessary compromises with structural pressures and existing systems could be observed in the conduct of Japan's foreign policy. This problem-response behavioural pattern based on its practical assessment of the costs and benefits could possibly be found even in Japan's foreign

policy toward the PRC and North Korea, which are directly linked with Japan's urgent security interests.

The essence of the theoretical implications extracted from this thesis is that, whereas the analytical framework of neoclassical realism is applicable to Japan's foreign policy studies, it is necessary for analyzing a state's policy toward general foreign policy agendas, especially ones with less direct links with urgent traditional security, to comprehend policy-makers' perceptions of specific foreign policy agendas and multi-dimensional international structure. This is because, if there is considerable ambiguity in policy outcomes, policy-makers need to deal with critical tradeoffs in choosing a foreign policy option imposed by multi-dimensional international structure and to predict foreign policy outcomes based on their own perceptions, leading to the employment of a foreign policy which cannot be automatically presumed from the basic premise of structural realism. It is, however, still necessary to draw up further empirical cases of Japan's and other states' foreign policy which can be better explained by the neoclassical realism framework compared to the frameworks of structural realism, institutionalism and *innenpolitik* theories.

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