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This is to certify that the thesis prepared under my supervision by

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entitled "Motives and Goals of Japanese Economic Assistance as Demonstrated by Japan's Aid to Burma"

is approved by me as fulfilling this part of the requirements for the degree of Bachelor of Arts in Political Science.

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Motives and Goals of Japanese Economic Assistance
as Demonstrated by Japan’s Aid to Burma

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When this thesis was first conceived it was as an opportunity to examine the nature of one segment of Japan's relations with Southeast Asia. The issue of economic assistance is an especially timely one as Japan has just become the largest source of overall flows from the developed nations to those less fortunate.

Southeast Asian nations have historically been the major recipients of Japanese assistance programs. The reasons for this are many, including the wealth of natural resources in many of these countries and a sense of cultural affinity between the Japanese and their fellow Asians. The aid programs were initially focused in Southeast Asia because of Japan's legal obligation to provide reparation from World War II.

Burma is not a typical recipient of Japanese assistance. Although the country has substantial natural resources, foreign nations have not had a consistent avenue of accessing them in the last forty years. Burma fits the profile of other Development Assistance Committee (DAC) members' aid recipients even less than it fits Japan's profile. Yet for all its apparent insignificance Burma has received not inconsiderable amounts of aid since World War II, with Japan as the number one donor. In fact, Burma has consistently been one of the top ten recipients of Japanese assistance. Thus this relationship is not insignificant. Indeed, I believe that it serves as a good illustration of the goals and motives of the Japanese assistance program.
The paper begins with an historical analysis of the development of the Japanese aid program. This is followed by a look at the question of the motivations behind the Western world's support for foreign aid programs. After a discussion of the various motivations, it examines the peculiarities of the Japanese assistance program. The paper than shifts the focus to Burma, with a recounting of the significant economic and political developments since World War II. I have then attempted to pull all of this information together to understand what each country has expected to gain from their interactions.

The conclusion shows how well the Japanese-Burmese foreign assistance relationship exemplifies the uniqueness of the Japanese aid system in comparison to those of its fellow Development Assistance Committee members.

THE DEVELOPMENT OF THE JAPANESE ASSISTANCE PROGRAM

As the U.S. occupation came to a close in the 1950s, Japanese leaders had to determine the direction their country would take. Many of the concerns of postwar Japan were the same as those before the war; security, economic development, and ascendency in the international community. (Hasegawa, pp. 10-11) Under the peace treaties signed in the 1950s Japan
agreed to pay reparations to four countries; Burma, Indonesia, the
Philippines, and South Vietnam. To other countries who had suffered at the
hands of the Japanese during the war but who did not receive reparations per
se, reparation-like payments were planned. Cambodia, Laos, Malaysia,
Singapore, South Korea, and Thailand received those monies which
constituted the beginnings of Japanese foreign aid. (Hasegawa, p.146)
Certainly the Japanese did not volunteer to offer reparation payments. This
was one to the conditions Japan had to fulfill before being able to reenter
the international community on good terms. Yet the structuring of the
reparations program allowed the Japanese to use the program to their own
advantage as well. When the reparations/foreign aid program began in the
early 1950s Japan had in mind five initial objectives to turn the program
into a positive experience for Japan. These initial objectives were; 1) to
spur Japanese reconstruction and economic growth, 2) to begin
reestablishing diplomatic relations with neighboring countries, 3) to
maintain political, economic, and social systems which would help to
stabilize the policies in the region, thus benefiting Japan, 4) to raise per
capita income in Japan, and 5) to assert leadership both regionally and
globally. (Hasegawa, p. 11)
Due to the lack of natural resources which makes the country so
dependent on trade, Japan had to develop specific plans in the hope of
obtaining various economic goals. The reparations program, which lasted
approximately ten years, played a key role in three of these goals.
Of course the primary goal was the recovery of the economy from the damage of the war. Secondary to that were the promotion of Japanese exports, and the development of heavy industry. All of the reparations payments were tied to Japanese goods and services in order to have the program play a role in reaching these goals. Though payments were tied the goods given as reparations did not account for a significant percentage of Japan's exports at that time. This was due to the stipulation that the goods given as reparations could not be products the recipient would otherwise have purchased directly from Japan.

In the 1950s the responsibilities of aid participation began to be divided among the ministries. Overall the attitude taken was one of promoting economic cooperation between Japan and the LDCs. This was led by the Economic Planning Agency (EPA) which was concentrating its efforts on developing the overseas markets necessary for Japan to be successful at building up heavy industry. The Ministry of International Trade and Industry (MITI) thought in much the same way. Exports and trade are MITI's realm and the ministry was determined to use "economic cooperation" as one way of expanding Japanese markets. The Ministry of Foreign Affairs (MFA) acknowledged the importance of economic cooperation; however, they were equally concerned with offering assistance for national security reasons. Southeast Asia was the obvious arena for economic cooperation, which the MFA defined as reparations, technical assistance and cooperation, private
cooperation and government assistance to private business. (Rix, pp. 23-24)
The Ministry of Finance's (MOF) participation at this stage of the program was centered on its control of both the budget process and Japan's international monetary policy. (Rix, p. 25)

Pressure for Japan to become involved in developing an aid program was the strongest from the United States. The U.S. saw the world through the framework of cold war policy and development assistance was part of that policy, alongside military spending. The U.S. argued that since Japan was not spending much on defense they should be able to help in the strategic effort through aid programs. (White, pp. 215-6)

Japan's sole participation in international consortia on aid at this early stage was through the Colombo Plan, which was set up by the British Commonwealth as a consultative body on aid policy in 1950. (Hasegawa, p.97) Japan joined the Colombo Plan in 1954, and in 1955 sent out the first Japanese technical advisors under its auspices. These advisors had only limited success due to their limited knowledge of the cultures and languages of the countries where they were sent. (Hasegawa, pp. 123-5)

The Export-Import Bank, or Exim Bank, was set up by the Japanese government in this first phase of reparations-as-aid. Its original duties included financing exports and imports of heavy machinery, and financing overseas investment. (Hasegawa, pp. 137-8) Exim Bank financed the first yen loans to foreign governments in 1958, thus ushering in a new era in Japanese aid. (White, p. 215)
The basic motivation for such expansion into a broader aid program was to regain international respectability. Japan very badly wanted to rebuild the important diplomatic and economic relationships which were destroyed in World War II. (White, p. 220) Prior to being allowed to join the United Nations in 1956, Japan pursued this goal through participation in various international organizations such as the Colombo Plan, the United Nations Educational, Scientific, and Cultural Organization, and the United Nations Economic Commission for Asia and the Far East. (Hasegawa, pp. 96-8) The goal of reintegration into the international community was truly achieved when Japan was accepted as a founding member of the DAC in 1961.

It was evident that the primary goal of what Japan still referred to as economic cooperation, instead of economic assistance, was the benefit of Japan. This was shown to be the case when the country sought reassurance at the time of joining the DAC that they would not be bound by DAC recommendations. In this case, membership in the DAC was the road to full membership in the OECD. (Rix, pp. 28-9) In 1960 the government published the Income Doubling Plan which outlined the effort to double national income in the next decade. This became the government's number one economic priority and accordingly all economic strategies were tied to the Plan. Even with the strong desire to reenter the international community through the DAC, Japan was not willing to accept the risk that it could lose control over any segment of its economic strategy. Therefore at this time, all of Japan's economic strategies had to be tied to the Income Doubling Plan.
of the 1960s. It also became evident at this point that Japan preferred to evaluate its aid programs in terms of quantitative rather than qualitative improvements; this attitude has continued to the present day. (Rix, pp. 27-8)

During the 1960s, each of the ministries developed firmer ideas over the appropriate direction the aid program should take. Each became more determined to shape the program in such a way as to correspond with the ministry's internal concerns and views. (Rix, pp. 33-4) Nominally the three big ministries MFA, MITI, and MOF cooperated with the EPA in approving government loans, but often the powerful ministries stifled the less important EPA. (Rix, p.36)

MFA's responsibilities at this time included technical assistance, which was administered through the Overseas Technical Cooperation Agency (OTCA). (Rix, p. 36) OTCA was established in 1962 to deal with recipient countries directly. A country would approach OTCA officials through the Japanese embassy in their country. One writer sees the emphasis placed on government to government relations as a fault of OTCA because it limited the accessibility of the technical programs to those individuals with close ties to their government. (Hasegawa, pp. 141-2) Strengths of this framework include the added legitimacy a recipient government would receive as the broker of such programs. Another area of MFA control was the Japan Overseas Cooperation Volunteers, who were administered under the OTCA. MFA also shared control of Japan's participation in multilateral aid groups with MOF. (Rix, p. 36)
MFA had developed a broader, more sophisticated view of the purpose of aid by the early 1960s, which was based on three tenets. First, they believed in the natural interdependence of Japan and Southeast Asia, which explains why the vast majority of bilateral aid went to that region. Second was a recognition of the U.S.'s Cold War politics in the support of certain governments who were seen as crucial for continuing stability. And finally, the MFA recognized that Japan had a moral responsibility to provide aid as Asia's largest economy. (Rix, pp. 26-7)

MITI published a report in 1961 that recognized the importance of aid as "the mission of the world's industrial nations"; however, they refuted cold war objectives as a legitimate rationale for aid giving, continuing to consider Japan's economy and its growth as the primary objectives of the aid program. (Rix, pp. 26-7) Even though MITI had finally begun to recognize the importance of the LDCs as a political force, they refused to support further expansion of the aid program if they thought it might take resources away from the domestic economy. (Rix, pp. 36-7)

MOF's attitude was similar to MITI's, and MOF's concerns had greater effect due to their control of the budget. They refused to acknowledge the first UNCTAD goal of nations contributing 1% of their GNP annually, claiming that since per capita income in Japan was comparatively lower than that of other donor nations, Japan could not be expected to meet this goal. They also showed their wariness towards aid programs by closely investigating the likelihood of each potential recipient to be able to use aid effectively in
their development plans. (Rix, pp. 37-8)

An important agency was set up in 1961. The administration, at that time headed by Prime Minister Ikeda, established the Overseas Economic Cooperation Fund (OECF) to be more accountable to the concerns of the LDCs than the existing entities. It was empowered to give loans and credits on easier terms than those already being offered by Exim Bank, in hopes of offsetting international criticism of that institution. (Hasegawa, p. 140) Yet the ministries were not prepared to relinquish any of their authority, and from the beginning OECF was a source of contention between them. All three believed that they alone should have control; instead the control was given to the EPA as a compromise. (Rix, pp. 35-6)

A third phase in Japan's foreign aid history spans from approximately the middle 1960s until the first oil shock of 1973. It was in this time frame that Japan experienced tremendous growth rates and truly came into her own as a major economic power. Other industrial nations were forced to reevaluate their perceptions of Japan. The club of donor nations renewed pressure on Japan to give more assistance in hopes of offsetting some of the rapid gains Japan was making economically. The other Western nations were beginning to feel threatened by Japan's rapid growth rates. The Japanese reaction was based on two characteristically Japanese desires. The first was the desire to be on good terms with other nations in order to promote the collective good of the international community. By that time Japan felt itself a genuine participant in the community and thus had the duty of honor
to work with the group whenever possible. The second premise was based on Japanese ideas of hierarchically arranged relationships, which perceives a number of unequal levels or positions. Since Japan was gaining power and thus moving upwards in the hierarchy of nations it seemed reasonable to be expected to contribute more. (Hasegawa, p. 12)

The rapid economic growth also created internal pressures which affected the foreign aid policies. Japan is extremely dependent on a handful of nations for raw materials and food supplies. This necessitated good relations with those countries possessing an abundance of natural resources, many of which are in Southeast Asia. (Hasegawa, p. 66) Another domestic concern was the environmental deterioration, which was a direct result of Japan's success at developing such a strong heavy industry sector. Japan began to use the foreign aid program to encourage the LDCs to begin their own heavy industries. (Hasegawa, pp. 60-1) In response to these pressures the Industrial Structure Deliberation Committee was formed in 1971 to look for ways to improve the overall quality of life in Japan. Their 1972 report suggested several changes in aid policies to address the domestic situation;

1) make economic cooperation easier from the recipients point of view by untying aid,
2) open Japanese markets to the LDCs so as to promote an international division of labor,
3) formulate aid policies that were suited to the specific
needs of each recipient,
4) Promote foreign exchange programs as a way of
strengthening cooperation.

The committee hoped that these suggestions would lead Japan into a new
era, in which the economy would be based on information centered
industries rather than heavy industries. (Hasegawa, p. 88)

All of these pressures had a great effect on the amount of assistance
Japan was offering. The chart below shows the dramatic increase in
Japanese aid from 1962-1972, in comparison with several other top DAC
donors.

THE NET FLOW OF TOTAL OFFICIAL AND PRIVATE FINANCIAL RESOURCES TO
LOCS AND MULTILATERAL AGENCIES

<table>
<thead>
<tr>
<th>Countries</th>
<th>1962</th>
<th>1965</th>
<th>1966</th>
<th>1972</th>
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<tbody>
<tr>
<td>France</td>
<td>1,395.2</td>
<td>1,299.4</td>
<td>1,720.3</td>
<td>1,636.1</td>
</tr>
<tr>
<td>W. Germany</td>
<td>809.4</td>
<td>734.6</td>
<td>1,663.4</td>
<td>1,915.2</td>
</tr>
<tr>
<td>Japan</td>
<td>286.2</td>
<td>485.5</td>
<td>1,049.3</td>
<td>2,140.5</td>
</tr>
<tr>
<td>U.K.</td>
<td>743.9</td>
<td>1,032.0</td>
<td>760.9</td>
<td>1,586.8</td>
</tr>
<tr>
<td>U.S.</td>
<td>4,304.5</td>
<td>5,333.2</td>
<td>6,017.5</td>
<td>7,045.0</td>
</tr>
</tbody>
</table>

source: OECD Review 1972 million U.S. dollars

Japanese total flows ranked fifth in 1962, but by 1972 they had gained
second place among the DAC nations. However, "less than one third of the
total flow consisted of what might be regarded as genuine aid resources,
such as grants, technical assistance, and contributions to multilateral
agencies, while more than two-thirds of the total flow represents
activities that were of a purely commercial and business nature."
(Hasegawa, p. 25)

The technical assistance program had been fairly unsuccessful at that point, even though the Japanese liked to think of themselves as particularly suited to the task of offering such training. OTCA was responsible for the training programs both inside and outside of Japan. (Hasegawa, pp. 122-3) The primary problem facing technical assistance was the low amount of funding it received---in 1970 technical assistance received only 1.2% of the total aid flow. (Hasegawa, p. 30) The other major problem was the lack of language skills among those Japanese who have the necessary technical training. (Hasegawa, pp. 122-3)

During the third phase the attitudes of the ministries did not experience any major shifts. MITI and MOF continued to place Japan first in their considerations, although they were now focused on the concept of an international division of labor rather than the earlier concern of promoting growth. The MFA saw the other ministries as shortsighted in continuing to overlook the concerns of the LDCs while making aid decisions. MFA had people in daily contact with the LDCs and was much more perceptive of, and sensitive to their needs. They also realized that Japan could benefit if the LDCs as a group experienced substantial economic improvement. The opinion of MFA bureaucrats however, continued to be suppressed by the other two ministries. (Rix, p. 39) The three ministries did come together long enough in 1968 to accept the aim of aid comprising 1% of GNP eventually. In 1970
they began to work towards 0.7% of GNP as an intermediate goal. (Rix, p. 39)

Throughout this period Asia continued to be the primary target of Japanese aid although its importance did begin to decline slightly. For instance, in 1969, Asia received 90% of Japanese loans. By 1973 this figure was down to 80%. (Hasegawa, p. 61) The nations that received the greatest amounts of Japanese aid were the ones having the most to offer Japan in the way of raw materials. (Hasegawa, pp. 19-20)

Up through this period the ten most important recipients of Japanese aid were Indonesia, India, Pakistan, Brazil, South Korea, South Vietnam, Burma, the Philippines, Thailand, and Cambodia. (White, pp. 72-3) The ASEAN countries received such a high percentage of Japan's aid due to their importance as a source of raw materials, their strategic importance, and the persistence of their demands. (Rix, pp. 232-4) Up until the mid 1970s Africa received only tiny amounts of aid from Japan. Not only did Japan lack a cultural understanding of Africa such as they had with Southeast Asia, there were few benefits for Japan as far as trade was concerned. Nor was there the same type of visible recognition, due to the multilateral nature of much of the aid to Africa. (Rix, pp. 223-6) However, the 1970s brought a change in Japan's attitudes towards various regions in the world. The 1973 oil shock played a large role in shifting aid to the Middle East, and also brought more of an interest in Africa. (Rix, p. 41)

In the 1970s Japan began to move from its preference for bilateral aid to multilateral aid. Contributions to organizations like the United Nations
Development Program were increased for two reasons. First, Japan wanted to offset criticism from recipients and other donors who complained about the direct benefits Japan had been receiving from its aid programs. Secondly, Japan saw increased contributions as a way to offset some of the increases in foreign reserves, thus contributing to a balance of trade that would be less threatening to other Western nations. (Hasegawa, pp. 115-8)

In the 1970s the attitudes of MITI and MOF once again remained fairly stable. MFA continued to become more supportive of aid and named five considerations to be taken for aid policy: international economic security, Japan's duty as an economic power, economic self-interest, humanitarian issues and diplomatic necessity. (Rix, pp. 41-3)

An important change in the aid bureaucracy took place in 1974 when the Japan International Coordination Agency (JICA) was established. Although its development stemmed from a growing desire to draw Japan's aid policies into one agency, JICA's scope did not become that broad. JICA ended up absorbing the duties of OTCA, the technical aid program, development funding, and the Japanese Overseas Cooperation Volunteers. (Rix, p. 49)

In 1978 politicians announced a plan to double Japan's Official Development Assistance (ODA) from 1978-1980. (OECD Review 1980, pp. 115-116) What was not made public was the argument in the ministries over how to double aid. MFA and MITI were in favor of doubling aid in yen terms, while MOF and the EPA favored dollar terms. The difference was important; because of the yen's steady growth against the dollar, doubling
aid in dollar terms would require much less of an increase in funding than doubling aid in yen terms. MOF's support of counting the increase in dollars is one more example of their reluctance to give away Japanese funds. MOF won the argument on this occasion. (Rix p. 43)

By 1979 power was shifting and the OECF ended up being the backbone of the aid system. OECF had gained control of all loans which had a 25% grant element, and by 1979 they were administering virtually all of the ODA loans. (Rix, pp. 257-60) The power they gained was based on the valuable information the OECF possessed by implementing projects and then staying with them through a four or five year period. In this way they gained the specific knowledge of one country and one project which is so rare in Japan's generalist bureaucracy. (Rix, pp. 260-1)

The 1980s have brought about a new aid philosophy which tends to be more concerned with the needs of LDCs than ever before. Specific points of interest include support for agricultural development, development of energy sources, technical assistance, and the promotion of small and medium sized businesses in developing countries. All of this is aimed at the poorer people within the individual LDC. (Brooks and Orr. p. 237)

The shift in funding is not necessarily an abandonment of Japan's earlier attitudes towards economic assistance. Instead, it may be seen as an indication of how well the goals have been met. Some of the initial objectives set forth in the 1950s have been completely fulfilled; for example reconstruction from the war and the reestablishment of diplomatic
relations have been achieved, as has the goal of raising per capita income, now among the highest in the world. The new concern for the LDCs fits into those goals which by their very nature demand continuous striving; goals of regional stabilization and leadership.

Both bilateral ODA and multilateral contributions have continued to grow since the 1970s. Japan has set forth new targets for their aid program in the years of 1986-1992, which include increases in ODA as a percentage of GNP, improvements in the quality of ODA, plans to have total ODA disbursements in the time span to be over $40 billion so that 1992 disbursements will be double the disbursements of 1985, in dollar terms. (OECD Review 1986, p. 73) In the 1980s Japanese aid has gone increasingly to countries outside of Asia. In the period from 1983-1984, the top five recipients were all from Asia, but two of the countries in the next grouping of five were Middle Eastern countries; Pakistan and Egypt. Kenya, Mexico, Peru, Turkey, Brazil, and Bolivia were also among the top twenty in individual recipients of Japanese bilateral aid. Multilateral ODA has increased from 14.9% of the Japanese ODA in 1970-1971, to 35.7% in 1983-84. (OECD Review 1986, p. 251)

Pressure in the 1980s continues to push Japan to contribute more as trade imbalances increase. Infighting among the ministries slows down the process of bringing ODA up to the long promised 0.7% of GNP. It is difficult to increase bilateral aid due to recipients' inability to absorb it. And certain segments of the bureaucracy do not wish to increase multilateral
aid, due to a possible loss of political recognition in Asia. (FEER 13/6/85, pp. 86-7)

MOF has shown a willingness to increase multilateral aid to organizations such as the IMF and the World Bank, but not until Japan is offered an increased voting share in these institutions. (FEER 2/8/86, pp. 81-2)

There has also been recent talk of Japan's OECF becoming an alternative to the World Bank. This stems from the fact that OECF's loans are frequently on softer terms than those of the World Bank. There is hesitation over allowing the Japanese to have more influence in regions that are already seeing increases in direct investment by Japanese corporations. (FEER 2/8/86, p.86)

After evaluating the development of the Japanese aid system, several unique characteristics stand out. One is the consistent level of self-concern evident in Japanese policy. Japan is generally quite honest about its self-serving goals, which are published regularly in government white papers. Efforts to change the focus have been largely superficial which is probably due to the fact that the efforts originate outside of Japan.

There is still no one agency with the power to coordinate all of Japan's aid programs. Traditionally, the Diet has not concerned itself directly with the workings of the system. Instead the Diet tends to impact the aid program through large sweeping policies such as long-term economic or diplomatic plans of which foreign aid is only a part. This distance between
the administration and the bureaucracy continues because aid programs are not an issue which attracts much public interest in Japan.

So the haggling between the powerful ministries continues to be the overwhelmingly important factor in shaping Japanese aid. MFA still is the most supportive for giving aid on the basis of political concerns. MOF has grudgingly continued to increase the amount of money available for aid programs, yet it continues to delay the fulfillment of the promised 1% GNP level. After all, this is a figure imposed upon Japan by the DAC, which dilutes any sense of urgency the Japanese might otherwise feel. The member nations have worked together to formulate goals like this; often Japan is a target for improvement. The conflict within the DAC is a result of the diversity of the members. Japan's aid system can be seen as farther from the middle ground then most.

MOTIVATIONS AND RATIONALES

There seems to be no single explanation for the phenomenon of economic assistance. The industrialized West has taken upon itself the burden of supplying aid to many, if not most of the world's less developed countries (LDCs). Yet when one tries to determine the rationale for the multitude of bilateral and multilateral aid programs one can only find a
handful of splintered motives rather than a cohesive set of reasons.

However, there is a consensus in the literature upon three foundations from which foreign aid programs spring. It seems that the motives of donor countries may by and large be fitted under the categories of economics, politics and/or moral responsibility.

The economic premise is the simplest. The underdevelopment of the third world is perceived as detrimental to the worldwide economic community as a whole. By providing aid, the wealthier nations will supposedly help the less developed countries to develop more quickly than they otherwise could. The sustained economic growth of all nations is seen as beneficial for everyone. For instance, this concept sees all nations prospering due to the increase in markets. More specifically, a donor country is likely to benefit from the use of their nation's products in the development programs that they are sponsoring. This is due to the fact that aid is often tied so that only the donor nations' industries supply the necessary products for immediate use. In addition, donor nations hope that through the policy of tied aid, developing nations will become so accustomed to working with the products of the donor nation that they will choose to purchase these products even after the completion of the original aid program, thereby creating a long term demand for these products.

Political and national security interests provide a rationale that is the easiest to justify in the world of realpolitique. Under this rationale, foreign aid becomes part of a nation's overall foreign policy. Foreign aid
has become an accepted responsibility of the industrialized countries. If a nation does not contribute an amount seen as appropriate to its economic strength, it will likely face a great deal of pressure from the other Western donor countries. This type of international pressure is especially important for the continuation of the various multilateral aid programs, which do not provide the obviously more direct opportunities for political influence in the recipient country. The Organization for Economic Cooperation and Development and its Development Assistance Committee provide a forum for discussions of foreign aid policies between the major Western donor nations.

Governments use bilateral aid programs in their foreign policies to a varying degree. They may be seeking to fit a recipient nation into a grand strategy. Over the years this has been especially true of the United States. The rhetoric of the Cold War was easily found in the first two decades of discussion on the question of foreign aid. One book on the strategies of aid programs put it this way.

...the primary purpose of foreign aid is to supplement and complement the efforts of the developing nations to enhance their strength and stability and to defend their freedom. Success in these efforts is necessary to counter the spread of Communism. (Black, p.18)

Although this was written in the mid 1960s it still presents an accurate description of one facet of U.S. foreign assistance goals. The aid to nations
like El Salvador and the continued support of the Contras in Nicaragua are examples of the continuation of this strain of analysis.

The degree of support varies depending on how important a role a particular country is playing in the "struggle." Aid ranges from direct military support to especially important nations, to support based on more humanitarian concerns to the less strategically placed nations.

When aid is being used for political purposes there is a fine line between preserving security, and interfering in a nation's internal political affairs. A foreign aid organization is in the delicate position of being between a domestic interest which expects to see a return on its foreign aid investment, and a recipient government which is closely guarding its own sovereignty. It is hard to determine how effectively donor countries are able to affect domestic affairs of the aid recipients. If the donor country does expect to be able to exert pressure, they need to formulate a clear plan of what they wish to accomplish in rather specific terms. Yet by doing so, they expose their aid organization to accusations of having crossed the line into interference. (Mason, p. 48) Perhaps this is why donor governments often mention their direct political objectives only after expressing their sense of moral responsibility to help Third World nations based on their humanitarian concerns.

The rationale that comes to mind quickest is that of moral responsibility. In the majority of the literature on foreign aid it is mentioned as the basis upon which all assistance is given. Yet it is often
only mentioned in passing. For instance in a 1983 speech given by an official of the U.S. Department of State, humanitarian concerns were given less than a sentence of mention. It seems that such considerations did not play any role worth expounding on in the “quandary of foreign aid.” (U.S. Dept. of State) Another writer on the topic says this of moral responsibility as motive:

Humanitarianism as a fundamental motivation has certainly played an important role in the actions of individual Americans, whether under private or public auspices, in the underdeveloped areas of the world....the general public has indicated a large reservoir of disinterested concern for the well-being of others. There is no doubt that these sentiments are reflected in substantial support for a foreign aid program without regard to national interests. (Mason, p. 27)

While this author gives greater credence to the importance of humanitarianism in this passage, it is written in the tone of an addendum.

Critics of the entire program of foreign aid go so far as to scoff at the idea of humanitarian foreign aid as hopelessly naive. Some take the attitude that moral responsibility is used as an almost unfair way of tricking the population into supporting economic assistance programs. (Bauer, chapter 3)

There does seem to be a certain amount of truth in this cynical critique. Indeed governments with aid programs have been known to solicit support for these programs by making vague, lofty statements about the
moral concern inherent in foreign aid programs. For instance, a report on foreign aid from a French commission stated:

...the first reason, sufficient in itself, for a French policy of co-operation with the Third World is the feeling which France has of her duties towards humanity. (Riddell, p. 6)

The Swedes make reference to "international solidarity and responsibility" and to concepts of "human dignity" and "social equality." The British have expressed similar sentiments, asking themselves "Could the moral and social foundations of their own societies [those of rich countries] remain firm and steady if they washed their hands of the plight of others?" (Riddell, p. 7)

Most stylistic of all was President Kennedy in his inaugural address:

To those people in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them to help themselves, for whatever period is required--not because the Communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich. (Riddell, pp. 6-7)

In spite of the fact that these statements are often used for their emotional pull, there is a strong tradition of aiding those less fortunate in the major donor countries, and their aid programs build upon this tradition.
Among the citizens of donor countries, the strongest aid supporters tend to be those who are moved by personal moral convictions. The foreign policy strategists are thus able to bury their more pragmatic and seemingly sordid rationales beneath a veneer of humanitarianism. Politicians are then in a better position to vote for the funding for these humanitarian programs. Through a collective sense of moral responsibility the government and people of a donor nation can convince themselves that programs in their political self-interest are being carried out for the good of others.

There are a variety of different beginnings for the moral responsibility rationale. These justifications have developed out of various Western philosophical traditions. Roger Riddell identifies six philosophies from which the rationale may have evolved: (Riddell, pp. 13-24)

(I) The ethical standards of Christianity provide a strong case for aiding those less fortunate. This is supported by both the scriptures and formal announcements of the religious organizations themselves.

(II) The concept of "human good" stems from the framework of universal human rights. This rationale sees a human community with every member possessing the same basic needs and also the rights to fulfill those needs regardless of what part of the world they inhabit. Therefore the third world poor have the right to life's basic necessities.

(III) The "theory of justice" is a similar concept. The consideration is what harm may be inflicted on those who do not have what they need. Supporters of this way of thought believe that equality is implied in the
concept--where one society has a surplus it is their responsibility to see that those in need receive their due. All people, whether individually or in an organized fashion have a responsibility to prevent the harm caused by the lack of life's necessities.

(IV) Utilitarianism comes from a different angle. It approaches morality with rationality and pragmatism, looking for whatever action will produce the most happiness. It is assumed that the act of wealthy nations giving to the poorer nations will create more happiness than if this act did not take place. This straightforward approach has proved to be satisfying enough to have been included as an aid rationale in the 1980 Development Assistance Committee Review.

(V) John Rawls takes utilitarianism a step further. His contractual theory of justice is composed of a set of principles and priority rules which are designed to correspond to our intuitive sense of justice. According to Riddell, Rawls' theory provides for "assistance for the specific relief of poverty and, in the general conception of justice, the equal distribution of all social primary goods unless an unequal distribution is to the advantage of the least favored....people have rights to life ...they have rights to the resources necessary to create the conditions for a basic life, even if acquiring these resources entails the extraction of these resources acquired legitimately by others." (Riddell, pp. 22-3)

(VI) The final base for humanitarian aid discussed by Riddell is that of "justice as desert." The basic precept is that the plight of the less
developed countries is due at least in part to the developed nations' exploitation of these countries. It is argued that this makes the wealthier nations responsible to provide a type of moral retribution.

This final concept is one that has definitely been identified as a motivation for aid in the case of nations that provide assistance to former colonies. In many of these countries the population, and hence the government, are susceptible to former colonies who work to capitalize on this sense of collective guilt.

Aid in the Western world is coordinated by several international entities. The dominant organization is the Development Assistance Committee of the OECD. Within the charter of these organizations, the rationales and motivations of economic cooperation are put forth as a framework for action. It is clear that these countries have come together on the strength of the economic rationale. In the statement that member nations will "...consult each other on all other relevant aspects of their development assistance policies..." the door is left open to reproach each other on the basis of other rationales as well. In this way DAC members have been able to call for certain levels of aid as they pass judgment on the quality of each others' assistance.

The Organisation for Economic Cooperation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European
Economic Co-operation and by Canada and the United States. This Convention provides that the OECD shall promote policies designed:

--- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the world economy;

--- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;

--- to contribute to the expansion of world trade on a multilateral non-discriminatory basis in accordance with international obligations.

In order to achieve its aims the OECD has set up a number of specialized committees. One of these is the Development Assistance Committee, whose Members have agreed to secure an expansion of the aggregate volume of resources made available to less-developed countries and to improve their effectiveness. To this end, Members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The Members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Economic Community. (OECD 1972 Review, p. 4)

The nations who are included on this list are commonly referred to as the nations of the "West" or "the North" as though they comprised a single entity. Indeed, for all their differences, they do share a certain cultural heritage. The weight of Western Civilization, from ancient Greece through the Roman Empire, and then the development of the European and North
American continents have been the experiences that have shaped their essence. This holds true for all of these nations, except Japan. These days, Japan is included in the category of Western nations due to its economic prowess. In the context of international relations, or that of economic development, Japan is indeed a member of the community of Western nations. In the context of economic assistance the connection is not as obvious. Certainly Japan has been one of the largest sources of economic assistance in the Western world for many years now. But the nature of the Japanese foreign aid program has always differed from that of its fellow DAC members. For as long as Japan has been offering economic assistance it has been the target of criticism from the recipients of their aid and consequently from their fellow donors. Japan is not a Western nation in the cultural sense of the word. Its social systems did not originate in Greece, and there was no Renaissance that focused on the glory of the individual. The differences in the aid programs of the Japanese and those of the other Western donors that lead to these criticisms are a result of the differences in their historical backgrounds. The truly "Western" nations have a tradition of moral responsibility towards the less fortunate in their midst. This tradition has been the wellspring of their foreign aid programs. The rationales offered by Roger Riddell for humanitarianism in economic assistance programs can all be traced to Western culture. Today's aid programs are often tested against a formula of political and strategic calculations in order to prove their worth to those who question what their
nation is receiving in return for its assistance. However, a sense of moral responsibility inherent in these societies underlies the more sordid realities of today's world. The Japanese aid program does not have these same underpinnings.

Their aid program was not sold on its metaphysical merits. Instead, it was a result of the Western nations' sense of moral responsibility. In Japan's case the West judged the nation guilty of crimes that demanded reparations. Before the West would reaccept Japan as a valid member of the international community the Japanese had to prove their worth by atoning for past mistakes. As the first reparation programs were being planned, Japan was pushed to expand the program by the United States.

Japan needed to be a part of the Western world if it was to fully recover from the devastation of the war. But the nation did not go so far as to incorporate the complex humanitarian rationale into the assistance program forced upon it. Although it would not have paid reparations without being force to do so, once the program was begun the Japanese worked to turn it to their advantage. The list of goals for the Japanese aid program did not include becoming an altruistic nation. It has always been easy to observe that the Japanese intended to use their aid program to further their own economic development. As the demands of the Japanese economy have changed, so have the policies of the assistance programs changed to better serve these demands.

Over the years the Japanese have used their economic assistance
programs to serve two basic goals. The first is the furtherance of their own economy. The second goal has been first, to gain admittance to the club of international powers, and later, to improve their standing in the same. As a result, Japan's assistance programs have undergone constant criticism as being too self-serving; however, Japan generally escapes the label of hypocrisy that falls upon other nations that hide their self-interests under a cloak of good deeds. Japan has responded to pressure from the other donor nations with superficial efforts to adjust the programs just enough to silence the critics for the time being. As far as humanitarianism is concerned, the Japanese have at various times made reference to their duty to help the LDCs in their endeavors for a higher quality of life. These statements have generally not been on the same level as references to humanitarian concerns made by other, Western nations. It seems that these pronouncements by the Japanese are pulled from the sense of duty inherent in being an international power and it is only due to their position as such that the Japanese feel this duty. Certainly the other Western donors also feel this duty. In addition though, they have a sense of trying to expand the progress they have made towards economic equality within their own societies to the rest of the world. Japan has not allowed itself to be pressured into generosity for generosity's sake, and there is no evidence that it would ever lend its programs to economic assistance as a worldwide welfare system, such as that favored by the Scandinavian nations.

Japan has tended to shy away from making use of its economic power in
an explicitly political way. In general Japanese foreign policy is an extension of the country's economic concerns. This has been especially true in relations with Southeast Asia. Whenever Japan appears to be exerting its power the nations of this region become very anxious. The expansionist Japan of World War II has not been forgotten or even entirely forgiven. So Japan has not used its foreign aid policies in the same political sense as nations like the U.S., the U.K., or France.

THE BURMESE POLITICAL AND ECONOMIC SYSTEM

If Japan truly plans its aid programs on the basis of economic potential, rather than political or humanitarian concerns, then the nations who have consistently received Japanese aid must logically exhibit economic potential strong enough to have piqued the interest of the Japanese. An examination of Burma's economic viability should therefore reveal factors that have kept the Japanese committed to providing assistance to it. Because of the historical and continuing importance of socialism in Burma, the government and the economic system must be looked at hand in hand.

Burmese anticolonialism was built upon an intellectual foundation of Buddhist philosophy and socialist nationalism. (Steinberg, p. 31.) Socialism
had come to be a part of the Burmese elite's political culture during their education in Britain. For their situation socialism provided a path of escape from foreign domination. By turning their backs on Britain's capitalist system, the Burmese nationalists were also escaping from imperialism and foreign domination as well. (Steinberg #2, p. 29)

The Burmese gained their independence in 1945. From 1948 until 1952 the country was in the throes of civil war. The fighting continued sporadically throughout the 1950s; the main issue was the position of the many different ethnic groups within the new state. The continuous turmoil led to a military caretaker government being asked to take control, which they did from 1958-1960. Although a civilian government was elected in 1960 it was unable to solve the problems any better than earlier civilian governments. (Taylor, p. 217) In 1962 the military once again took charge in a nearly bloodless coup.

The military takeover was led by a six member Revolutionary Council, of which General Ne Win was leader. There were three major issues threatening the continuation of the young state at the time of the coup; continued ethnic tensions, a controversy over making Buddhism the state religion, and an economy which had not yet recovered from World War II. (Steinberg, pp. 21-23)

Initially the military takeover was viewed favorably by both the Burmese and overseas Burma watchers. Ne Win was expected to return the country to the relative order of the earliest military government. (Taylor,
Within two months of the coup, the Revolutionary Council released their goals for the state in *The Burmese Way to Socialism*. This treatise has been the ideological foundation of the government ever since. It states that the people must be freed from evil economic systems by the just establishment of a socialist state. It promises that this economic change will improve the moral well-being of the nation because it will do away with all of the evils that cause immorality.

The Revolutionary Council supported these goals further through the formation of the Burma Socialist Programme Party (BSPP) in mid 1962. At the time of its formation the BSPP's main function was as a "...means for the mobilization of support for the state." (Taylor, pp. 315) By February of 1963 more action was taken to facilitate socialism. The government announced the intention to nationalize internal and external means of production and distribution. The Burma Oil Company and all banking institutions were among the first to be nationalized. At the same time the creation of any new private industry was prohibited. (Steinberg, pp. 35)

As the BSPP consolidated its power during the first decade of military rule, Burma turned in upon itself. Isolation was judged to be an important part of the path to socialism. On a foreign policy level Burma was a member of the non-aligned movement. Neutrality was seen as the best way to keep the country free from the intervention of more powerful nations.

Although not much is known about economic planning in Burma from 1963-1971, it is known that most effort was focused on promoting the
growth of heavy industry. Even though investment priorities were given to
industry its growth was quite slow. (Steinberg, pp. 36-37) There were
many factors which contributed to the problems of industrialization. One
very basic problem was that when the military came to power they purged
most of the bureaucracy, which left a dearth of qualified people to manage
all of the newly nationalized businesses. The military personnel who
replaced the purged bureaucrats were unable to compensate for this lack.
(Steinberg, pp. 35-36) Other problems included the practice of investing in
new "show" plants instead of updating the existing facilities. This resulted
in older plants producing at very inefficient levels due to their undependable
obsolete equipment. Related to the problem of poorly qualified bureaucrats
were the poor pricing policies, which were all made centrally. That there
was no autonomy for local management also contributed to the poor
performance. Worker discontent was yet another issue. They worked for
very low wages without any incentive to perform well. This in turn led to
low productivity. (Steinberg, pp. 37)

All of these issues combined to create economic stagnation. Standards
of living remained below the prewar levels. Poverty became widespread.
Income distribution was the most evenly spread of all countries in the
region; however, it was obtained by the income of those in the urban areas
decreasing, instead of the other way around, as is the usual case. (Steinberg,
pp. 38)

In 1972 the government changed directions in an attempt to halt the
deterioration of the economy. The BSPP began claiming that it was a party for the masses, instead of a nucleus party of prestigious military men. Supposedly, the BSPP was to lead the state instead of only supporting it through the military. (Taylor, pp. 315) The First Congress of the BSPP was held in the Summer of 1971, and the new face of the BSPP was formally presented. The new priorities of the BSPP were summarized as:

a) The first priority is to expand production in agriculture, fishery, livestock and forestry sectors, and to increase their exports.

b) The second priority is to set up consumer goods industries to substitute imports by expansion of agriculture, fishery, livestock and forestry sectors, and to increase their exports.

c) The third priority is to raise mineral production to the highest possible level and to lay foundations for heavy industry based on such mineral production. (Steinberg, pp. 44-5)

At this time the party also announced a Twenty-Year Plan, to be divided into four Five Year Plans. The 1972 reforms recommitted the government to obtain prosperity through socialism. It was recognized that to realize this goal the government would have to concentrate their developmental efforts upon the natural resources of Burma. In addition material incentives were to be provided to the workers so they would be inspired to work harder. The importance of the private sector was also recognized, in the hopes of
gaining control of the black market. It was necessary to allow the private sector the freedom to meet consumer demand. A final reform was the decision to emerge from the self-imposed economic isolation. It was recognized that outside assistance would be necessary if Burma truly wanted to develop. (Steinberg, pp. 44-7)

The reforms of the early 1970s were expected to help Burma obtain significant growth rates. Certainly the abundance of natural resources provided Burma with great potential for development.

Burma has the opportunity to capitalize on increased agricultural yield, further development of its forests and fisheries, and mining and oil resources. In addition the country could be expected to benefit from its relatively small population and low growth rates. The society is highly literate for the region and education receives a high degree of support from the population. (Steinberg, pp. 180-181) With all of these factors in their favor it is surprising, at first glance, that today much of the development potential remains unfulfilled.

Burma has faced just as many obstructions in its push for development as it has favorable factors. The continuing struggles with insurgencies by the various ethnic factions and the Communists have necessitated large military budgets. These costs have been a constant strain on the government's budget. The ineffectiveness of the bureaucracy has been a constraint on growth. The BSPP has kept tight control on who is allowed into the bureaucracy. Unfortunately the people who are trusted by the BSPP
are not usually very-well trained for their positions. The bureaucracy is also noted for its corruption. This is a contributing factor for another of the Burmese quandaries-that of the black market. The government has not yet come to terms with the proper role of the private sector, hence the black market smuggling continues to drain the economy. The problems with the inefficient distribution of agricultural commodities and consumer goods all contribute to the continuation of the black market. These problems are by and large continuations of the issues Burma has faced throughout its years of independence. (Steinberg, pp. 164-175)

With all of these economic shortcomings some may come to the conclusion that the socialist ideology of the BSPP is preventing Burma from developing. Some analysts do point to the centralized state control of the economy as an impediment. (Taylor, p. 341) Other analysts, however, have looked beneath this factor and come to the conclusion that the priority the BSPP has given militarism and strict isolationism are more at fault. (EIU, Country Profile, pp. 38-40) It appears that the inflexible political system of the BSPP is more to blame than the socialist ideology, which has been relatively flexible. (Steinberg, pp. 163-4)

Decision making takes place at the highest levels of the system, due to a lack of knowledgeable lower level bureaucrats in the executive branch of government. (Steinberg, pp. 170-172) There is a high degree of overlap between the leadership of the military, the party, and the government. (EIU Country Profile, p.35) These two facts have had a very negative effect upon
the state's ability to formulate foreign policy. Maung Maung Gyi, a historian and political scientist, has formulated five hypotheses which explain the basic patterns of Burmese foreign policy since the military takeover. (Maung Maung Gyi, pp. 10-11)

The first of the hypotheses defines his concept of "negative neutralism" as a passive, reactive policy based on the xenophobic tendencies of the Burmese. He sees the country's leaders as self-serving and narrow minded.

The second hypothesis asserts that the BSPP/military leaders have followed this policy as a way of preserving the social/political system they have created. They are continually seeking legitimacy.

This fear of survival has created a wariness of the international economic system. In their desire to stay free of the foreign influence inherent in international investment and trade the Burmese isolated themselves until economic necessity forced them to open their doors to economic assistance and investment.

Although Burma's development has stagnated as a result of severe isolation, Maung Maung Gyi sees benefits in the policy of neutralism. The fourth hypothesis explains how the Burmese have been spared many of the troubles caused by intervention and consequent wars in neighboring nations of South East Asia. Burma has by and large been left alone to pursue its own interests.

The fifth hypothesis recognizes that the military elite is completely
committed to preserving the ideology they have created in order to hold onto their power. He comments on the probability of continued insurgency from the various factions that are not content to continue on the “Burmese Way to Socialism.”

Soon after the BSPP came to power it became clear that they were moving the country into isolation. In the strategic realm the fact that the Burmese military capability is for all purposes limited to within the nation’s boundaries keeps the nation from posing a threat to its neighbors. This keeps the Burmese secure from interference in their internal affairs. In order to continue this favorable situation the Burmese decided upon the position of non-alignment which would keep foreign influence from shifting the delicate balance of international relations. (Taylor, p. 356)

As Burma moved into isolation, they severed many of the ties that could have been helpful in its development. One of the first consequences of Burma's shift to a stronger neutral foreign policy was the redefinition of the nation's foreign assistance regulations. Due to its colonial history, Burma had access to many groups who provided assistance out of the sense of "justice as dessert." However, Burma did not want to help assuage the guilt of its former colonizers. Private aid groups were prohibited from operating in Burma; organizations like the Ford Foundation, the Asia Foundation, and the British Council were all sent home. (Steinberg, pp. 39-41)

In general the Burmese eschewed all foreign assistance. This is not
surprising. Investment from foreign firms was seen as compromising Burmese independence; accepting economic assistance was also considered distasteful. Burma wanted to be free of the influence of the decadent Western nations who offered the bulk of available aid. It was compromising in the sense of the strategic motives and also the humanitarian ones. During the first ten years of military rule the Burmese did their best to stay free of the contamination of foreign assistance.

**MUTUAL BENEFIT AND ACCEPTANCE**

When World War II ended, the Japanese-Burmese relationship was turned upside down. No longer a colonial master, Japan was compelled to provide reparations to those nations who demanded them. Burma was one of those nations. The reparations agreements were legally grounded in the San Francisco peace treaty, excerpted below.

> Japan will promptly enter into negotiations with Allied Powers so desiring, whose present territories were occupied by Japanese forces and damaged by Japan, with a view to assisting to compensate those countries for the cost of repairing the damage done, by making available the services of the Japanese people in production, salvaging, and other work for the Allied Powers in question. Such arrangements shall avoid the imposition of additional liabilities on other
Allied Powers, and, where the manufacturing of raw materials is called for, they shall be supplied by the Allied Powers in question, so as not to throw any foreign exchange burden upon Japan. (Hasegawa, p. 38)

As discussed in the section on the development of the Japanese aid program, Japan also used its reparations program to meet various foreign policy goals such as improving diplomatic relations and as an opportunity to help in the economic recovery program.

For Burma and Japan the reparations payments were the beginning of a relationship of foreign assistance that persists to this day. This section of this thesis will attempt to synthesize the trends that have characterized this unlikely relationship. On the one hand is Japan, a nation which has been one of the largest suppliers of economic assistance to countries all over the world. On the other hand is Burma, a rather insignificant player in the international community. However odd it appears at first glance, this relationship has persevered through all of the turbulence.

The reason the aid program has been so strong for four decades is Japan and Burma's ability to match their foreign aid goals so well. Both parties have gained enough from the relationship to ensure its continuance.

Lucian Pye attributes several characteristics to the Burmese political culture which may provide a somewhat better understanding of how the two peoples are able to cooperate so easily. As mentioned earlier Burmese political decision-making capabilities tend to be concentrated in the elites.
This might make negotiations with the Japanese progress more smoothly due to the fact that Japanese bureaucratic decision making works in the opposite direction. In the Japanese bureaucracy lower-level officials often make many of the decisions themselves without having to go through numerous consultations with their superiors on every detail. It is likely that when the foreign aid packages are being coordinated it is lower or medium level Japanese officials who are working with the higher ranking Burmese officials. This places the two groups with the negotiating power in contact with each other.

Pye also portrays Burmese elites as uncomfortable when they are put in position to make important decisions which would strongly affect the economy. On the other hand when the Japanese contribute economic assistance they have a clear idea of exactly upon which segment of the economy they want to focus their energy. The relationship between Japan and Burma would not be seen as one of equality in Japan. The concept of hierarchy between nations would clearly relegate Burma to the lower status position. Japan would not hesitate to implement its own programs decisively as the senior partner. It seems probable that the Burmese would be willing to let the Japanese take the responsibility, to a certain extent, to make the decisions as to which projects to work on at any one time.

To turn back to the more statistically-oriented reasons for such long cooperation takes one back to the post-war era. Burma received reparations payments from Japan from the mid-1950s through the mid 1960s. (Taylor,
Burma primarily received capital goods that it would not have otherwise purchased; after all the Japanese did not want to cut into the potential for expanding into the Burmese markets. The Balu-Chaung electric power project was the centerpiece of the reparations program. The Japanese contributed over $30 million and had more than 230 technicians at work on the project. (Hasegawa, p. 50) The table below shows other projects that Japanese reparations helped to finance.

**JAPANESE REPARATIONS AND REPARATION-LIKE PAYMENTS TO BURMA, BY PURPOSES**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balu-Chaung Electric Power Station</td>
<td>10,390</td>
</tr>
<tr>
<td>Large and Medium Truck Assembly and Passenger Car Plants</td>
<td>2,530</td>
</tr>
<tr>
<td>Small Truck Assembly Plants</td>
<td>3,295</td>
</tr>
<tr>
<td>Home Electric Appliance Assembly Factories</td>
<td>3,095</td>
</tr>
<tr>
<td>Agricultural Machinery Factories</td>
<td>1,589</td>
</tr>
<tr>
<td>Electrical Machinery and Equipment</td>
<td>5,857</td>
</tr>
<tr>
<td>Vehicles (Trains)</td>
<td>8,353</td>
</tr>
<tr>
<td>Textile Machinery</td>
<td>2,547</td>
</tr>
</tbody>
</table>

Source: Hasegawa, p. 51 in ¥ million

It is easy to see why Burma desired these projects. Each project either supports Burma's industrialization goals directly, as in the Electric Machinery project, or else contributed to the Burmese infrastructure, and thus indirectly supported industrialization.

Japan's interests are only slightly more complex. One of the motivations for the expansionism of World War II was Japan's need for access to mineral resources. These needs certainly did not end with the
war. If anything Japanese needs for resources became more acute with the end of the war and the loss of access to China when the People's Republic of China was founded. (Tanaka, p. 75) In addition to possessing various minerals to which the Japanese hoped to gain access, Burma also fit neatly Japan's perception of Southeast Asia as a potential market for Japanese products and factories. (Tanaka, p. 55) At the time of the reparations Japan was operating under the Income-Doubling Plan of 1960. Heavy industry was the base upon which the tremendous growth rates were built, and the Japanese government spared no effort to help these industries find markets for their products. Burma received these types of products as reparations and thus fit quite well into Japan's economic recovery plans.

Given Japan's commitment to the U.S. position of anti-communism it would not be surprising if conflicts had developed between Japan and Burma when the military took control of the country, and instituted a more radical form of government. However this was not the case.

First, as explained earlier, the regime was generally viewed favorably by Burma observers. Secondly, Japan was actually in favor of third world nations nationalizing foreign corporations. In the post-war era Japan did not possess the capital or technology necessary for securing access to various mineral resources. These resources were overwhelmingly controlled by American, British, or French multinational corporations. When the third world nations took control Japan was then able to negotiate directly for their resources instead of having to go through older corporations. (Tanaka,
When the Revolutionary Council leadership decided to send the private assistance groups home they became more dependent on the Japanese. Japan was unique in the relatively high degree of contact it had with the Burmese in the first decade of military rule. The hydroelectric plant at Balu-Chaung was crucial for the Burmese because it was to provide most of the power to the urban regions, including Rangoon. In the years 1955-1970, Burma received $450 million in loans, grants, goods, and services. (Steinberg, pp. 39-41) With all of the stated distaste for foreign assistance the BSPP was unable to continue growth programs successfully without Japanese aid. (Steinberg, pp. 181-182)

The 1960s were the period of rapid economic growth in Japan. Along with economic growth came a rapid increase in Japanese consumption of minerals and fuels. In the period from 1963 to 1973 Japanese consumption of resources including oil, copper, zinc, aluminum, and nickel grew at an average annual rate from 10-20%. This consumption was primarily in the industrial sector, rather than the consumer sector. (Tanaka, pp. 25-26). This meant that MITI had a strong interest in securing mineral resources. MITI had very strong connections to the mineral industry; with the coalition that exists between the ruling Liberal Democrat Party, the bureaucracy and business in Japan, the mineral industries did not have difficulty in obtaining unity between various interests in promoting resource access. (Tanaka, pp. 13-15) By the late 1960s governmental agencies were pushing for Japanese
companies to take charge of developing Japanese access to resources. Also recommended was "resource diplomacy...[intended]...to smooth the ground between the governments of Japan and the producer country so that private companies can launch resource development promptly." (Tanaka, p.47)

In 1971, MITI released a Natural Resources White Paper which said in part:

"Now that the resource question is more a major concern of the state than of private firms in developing countries, it is essential to deploy an active resource diplomacy in order to keep good relationships with these countries."
(Tanaka, p.53)

Several years later, in 1970 this policy could be seen in action in Burma. The Burmese had reorganized their oil company, renaming it Myama Oil Corporation. The Burmese were interested in exploring their potential for offshore oil developments. Japanese oil companies became involved, and backed by yen loans from the Japanese government they sponsored surveys for oil.

When Burma made its economic policy turnaround in 1972 with the release of the Long-Term and Short-Term Economic Policies of the Burmese Socialist Programme Party they recognized that they must begin actively to pursue economic assistance if they wanted to promote the growth they needed in the industrial sector that was an important step towards a socialist state. (Steinberg, p.49) David Steinberg explains the delicate
situation the BSPP leadership was in when they were contemplating this changed attitude towards foreign aid.

"Too great a reliance on foreign assistance, or too obvious a need for it and a foreign presence that seems to make the Burmese subordinate in their own country, could well trigger once again the nascent nationalist and xenophobic sentiments that are so strong in Burma. There is a delicate balance between extensive assistance that can be absorbed on worthwhile activities and too great a physical or policy presence, creating resentment."

(Steinberg, p.188)

Due to the predominant role Japan had played during the first decade of military rule Japan was in the perfect position for its needs as Burma slowly opened to more involvement with the international economic order. Japan continued to be the largest source of economic assistance throughout the 1970s. Depending on the sources one reads the actual figures may differ. Here are some of the figures on the amount of assistance Burma received through the 1970s.

* from 1974-1982 foreign grants provided an average of 5.1% of total state revenues. (Taylor, p.346)
* from 1972-1979 Japan was the source for 55% of the bilateral loans received by Burma. (Steinberg #2, p. 48)
* in 1970-1971 Japan loaned Burma $7.7 million
* in 1976-1977 Japan provided $134.4 million in support.
* in 1977-1978 Japan provided $128.1 million in support. (Steinberg, p.58)

It has been noted by a number of observers that Japanese aid is used to benefit Japan. Shoko Tanaka writes that "...project aid has been utilized as an effective way of acquiring resources and exporting Japanese projects." (Tanaka, p.55) The OECD notes in its 1973 Review of the DAC activities that Japan seems quite committed to aiding LDCs improve the quality of products with export potential. After noting the various ways in which Japan aids the LDCs in their endeavors they add "in many cases the intended market is Japan...." (OECD Review 1973) In the section on development of the aid structure in Japan it is noted that Japan was hoping to use its foreign aid program to develop heavy industry in the LDCs as a way of lessening the toll pollution was taking on Japan's lifestyle.

Japan continued to look for oil in Burma. After the 1973 oil shock this became an even more urgent issue for the Japanese. Burma had allowed foreign companies to serve as contractors for exploration and productions of oil in 1974. In 1977 Japan extended yen credits to Burma to help build the Mann Refinery. (Tanaka, pp. 109-111) This plant enabled the Burmese to be self sufficient in oil and petroleum products for several years. In 1980 the Japanese were able to import Burmese oil for a short time. Unfortunately, production was not able to be sustained at this level, cutting short Burmese potential. Not only was Burma unable to continue exporting oil, they now
suffer shortages at home. (EIU Country Profile, p. 49) Japanese oil companies also helped to discover the natural gas reserves in the Gulf of Martaban.

During the 1970s period of increased foreign assistance some of Burma's fears of "foreign domination" were realized, to a degree, by the emergence of a debt problem. In the first decade of military rule Burma borrowed an average of $28 million per year. This amount increased rapidly after the policy changes of 1972, so that in 1979 Burma borrowed $350 million. As a result, by 1984 the debt service ratio (gross external liability/GNP [%]) was 36.3%. (Taylor, p. 347)

The relative positions of the two nations in the international community have shifted in the 1980s. Burma has become more dependent on foreign assistance, accepting aid from a number of different nations and multilateral organizations. International trade has also become more important to the Burmese. In fact the fifth four year plan specifically mentioned the possibility of economic cooperation with foreign entities in high technology and capital intensive development projects. (EIU Country Profile, p. 36)

<table>
<thead>
<tr>
<th><strong>DISTRIBUTION OF TRADE</strong></th>
<th>(AS A % OF TOTAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>[most significant partners]</td>
</tr>
<tr>
<td>China</td>
<td>80/81</td>
</tr>
<tr>
<td>Japan</td>
<td>7.7</td>
</tr>
<tr>
<td>Eur. Comm.</td>
<td>11.9</td>
</tr>
<tr>
<td>India</td>
<td>1.6</td>
</tr>
</tbody>
</table>
The figures above show how Japan dominated Burma's trade relations as well as their assistance program.

In the mid 1980s Burma's debt problem caused them to seek UN classification as a "least-developed country", which they did achieve. They have also become more aggressive in seeking to obtain assistance in the form of grants rather than loans. In fact Burma actually fell behind in repayments to Japan in 1987 and in the year after that received ¥6.5 billion in debt relief. (FEER 8/25/88, pp. 10-11)

The Japan of the 1980s is more willing than the Japan of earlier years to use its foreign aid program in an attempt to influence a country's political situation. Japan has joined other Western nations in calling for a number of reforms including currency stabilization, gradual privatisation of state enterprises, rebuilding of transportation and communication enterprises, more realistic pricing of public utilities services, continued efforts to expand the oil fields and diversification in agriculture. (FEER 8/25/88, p. 14) Since the Burmese government had estimated that 34% of capital spending needed to be financed by foreign aid, (FEER 10/13/88, p.18) and that Japan was supplying approximately 60% of Burma's bilateral aid,
these demands for economic liberalization had to be taken very seriously. (EIU no. 4, p. 29)

Japan has been taking a harder line with the Burmese in regards to their requests for more grant aid, and for lower interest rates on the yen loans they receive. In early 1988 Japan granted the Burmese a total of ¥28,119.6 million to be used for such goods and projects as food production machinery, fertilizers, pharmaceuticals and even a new teaching hospital in Mandalay. (EIU no. 2, p. 31) So when the Burmese planning and finance minister came to Tokyo in April 1988 MOF insisted that Burma must improve its economic performance before they received any more grants. (FEER, 8/25/88, pp. 10-11)

Even with the resistance from MOF, aid continued to flow through the spring of 1988. In April Japan signed a grant agreement which was to provide Burma with steel and iron for various construction projects. (EIU no. 2, p. 31) Also in April Japan announced its intention to convert the remainder of Burma's outstanding debt on loans made prior to 1978 into grants; this was a total of ¥77.2 billion or $578.9 million. (EIU no. 3, p. 34)

When Burma's domestic political scene exploded in the summer of 1988, all of these assistance plans were suddenly open to reconsideration. By August 31 Burma's second largest aid source, West Germany, suspended its assistance program to protest Burmese human rights violations. (FEER, 9/22/88 p. 15) Japan threatened to suspend aid if the human rights violations did not cease, or if the liberalization of the economy was not
begun in August. (EIU no. 4, pp. 27-28) In spite of these threats the Japanese did not actually formally suspend the aid program until October. At that time MFA issued a formal statement demanding a peaceful democratic solution to Burma's domestic turmoil. (FEER, 10/13/88, p. 12) Because the military government which came to power in September changed the formal name of the country, protocol demands that it be formally recognized. (FEER 11/17/88, p. 34) Throughout the early months of winter Japan held fast to their demands for democratic elections before they would begin their assistance program again. (FEER, 11/10/88, p. 13) However, Japan reversed this position on February 17, 1989 and recognized the new Burmese government, thus paving the way for resumption of the aid program. The general feeling in the Japanese government seemed to be that Japan would be in a better position to favorably influence the Burmese Government if they were providing aid, than if they were not. (New York Times, 2/18/89, p. 4)

CONCLUSION

During the 1970s period of increased foreign assistance some of Burma's fears of "foreign domination" were substantiated to a degree by the appearance of a debt problem. In the first decade of military rule Burma
borrowed an average of $28 million per year. This number increased rapidly after the policy changes of 1972 and by 1979 Burma borrowed $350 million. As a result in 1984 the debt service ratio (gross external liability/GNP [%]) was 36.3% (Taylor, p.347)

It seems rather clear that Japan has continued to provide economic assistance to Burma even after the reparations payments were ended in hopes of gaining access to Burma's potentially large markets and abundant natural resources. These resources are of a great variety. Most of the remaining teak in the world is in Burma's forests which also contain other valuable hardwoods. Tin, oil and natural gas are the most important of the mineral resources; however Burma also has significant quantities of zinc, lead, tungsten, bauxite, gypsum, jade, silver, copper, and coal. (EIU Country Profile, pp. 48-49) Burma could also appeal to Japan as a potential source for agricultural products. Even with all the potential, development has not happened. Because of this Japan has not been able to realize any of these expectations. Even so the aid continues to flow. In the literature on aid which looks at this relationship from the Japanese side, Burma usually receives only a passing mention. And the same is even more true for other major donor nations. The only other DAC member who has contributed substantial amounts of aid is West Germany.

Why should this relationship be considered as an example of Japanese foreign aid? Mainly because Burma has been one of the top 10 countries in terms of the percentage of Japanese aid received consistently throughout
this relationship. Burma thus has to be an important recipient to have consistently remained one of the most favored.

**MAJOR RECIPIENTS OF INDIVIDUAL DAC MEMBERS AID --- JAPAN**

<table>
<thead>
<tr>
<th>Gross disbursements</th>
<th>Percentage of total ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>1980-81</td>
</tr>
<tr>
<td>Indonesia</td>
<td>22.9</td>
</tr>
<tr>
<td>Korea</td>
<td>19.8</td>
</tr>
<tr>
<td>India</td>
<td>10.2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7.9</td>
</tr>
<tr>
<td>Philippines</td>
<td>4.4</td>
</tr>
<tr>
<td>Burma</td>
<td>3.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2.5</td>
</tr>
<tr>
<td>Iran</td>
<td>1.4</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1.3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.3</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.1</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1.1</td>
</tr>
<tr>
<td>Kampuchea</td>
<td>0.9</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>0.9</td>
</tr>
<tr>
<td>Laos</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>total above</td>
<td>83.0</td>
</tr>
<tr>
<td>multilateral</td>
<td>14.9</td>
</tr>
<tr>
<td>unallocated</td>
<td>0.4</td>
</tr>
<tr>
<td>total oda</td>
<td>555</td>
</tr>
</tbody>
</table>

source: OECD Report 1986, p.25

It seems plausible that the Japanese government has been inclined to provide this assistance when other DAC member nations have not because
the Japanese aid program is focused on different precepts than the truly Western nations. Due to self-imposed isolation Burma has not fit into any nation's idea of an appropriate target for foreign aid as foreign policy. Nor has Burma been regarded as a nation that should receive aid for humanitarian reasons. Although Burma is a poor nation its people have not suffered as severely as those in countries like Bangladesh or the Sudan. Perhaps Britain would have continued aid to their ex-colony as a matter of principle if the Burmese would have permitted it in the 1960s, but it was not allowed.

The peculiarities of the Japanese aid system seem to have made it the only major donor country whose objectives make Burma a candidate for substantial amounts of economic assistance. The other donor countries are not so badly in need of raw materials that they would pin their hopes upon a nation that does not have the stability and organization necessary to access these resources. Those donor countries who move on the strategic level would have little interest in a country that has intentionally isolated itself from the international community. These same peculiarities made Japan an acceptable benefactor to the Burmese. Burma did not have to feel that they were accepting charity, or compromising their independence by accepting Japanese aid, for several reasons. First, they had the right to receive repayment for the damage suffered during the war. Accepting aid that was demanded and won is quite different from the West's offerings, which Burma saw as charity. Secondly, once the reparations were paid, the Burmese were
quite dependent on the Japanese; both for the industrial and resource development projects, and also for the management expertise the Japanese exhibited in planning these projects. Some third world nations take offense at Japan's desire to plan and control all stages of a project. The Burmese appear happy to have someone else making the critical decisions. The Japanese seem to feel that they do have special access to the independent-minded Burmese as evidenced by their actions in the recent turmoil. Other donors threatened Burma, and withdrew their aid when the Burmese would not comply with their demands for reform. The Japanese felt that they could do the most good by keeping the lines of communication open; therefore they held out their aid projects for a very short time, even though they also had economic reasons to withhold aid.

The assistance relationship between these two nations has worked so well for very simple reasons. Each country is a bit of a renegade in the overall international aid community, each determined to use aid programs for their own independent interests. It worked out that many of the things each nation was looking for in an aid partner could be found in this relationship. Burma was given access to the industrial equipment and management it needed, without having to subjugate its independence to another nation's strategic interests. Japan did not enter the relationship willingly; however, it was able to get a foot in the door of one of the wealthiest nation's in terms of natural resources. Burma also served Japan as a market for the heavy industrial equipment it sold to make its
phenomenal economic comeback.

It does not seem likely that the relationship between these two nations will weaken as Burma tries to solve its current rounds of chaos. Japan appears willing to keep communication going, and the latest Burmese government is in desperate need of powerful friends to help with its economic difficulties.
ORGANIZATIONS OF THE JAPANESE ASSISTANCE PROGRAM

Ministry of Foreign Affairs (MFA)

Ministry of International Trade and Industry (MITI)

Ministry of Finance (MOF)

Ministry of Agriculture, Forestry, and Fisheries (MAFF)

Economic Planning Agency (EPA)

Export-Import Bank (Exim Bank)

Japan International Cooperation Agency (JICA)

Japan Overseas Cooperation Volunteers (JOCV)

Overseas Economic Cooperation Fund (OECF)

Overseas Technical Cooperation Agency (OTCA)
BIBLIOGRAPHY


