

Japan Inc lands in Myanmar

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JAPAN Inc is charging into Myanmar. The rush began one night last October, when Myanmar's new president rolled out a map after dinner to show an aging Japanese power broker a prize that could be Tokyo's to develop — a swathe of land nearly as big as Macau.

Thein Sein, 67, a former general, had been president of Myanmar's civilian government for just six months. He had won cautious praise for reconciling with democracy icon Aung San Suu Kyi and opening Myanmar's economy after five decades of brutal junta rule. Now he was seeking investors to develop Asia's second-poorest country.

After a Chinese-style banquet at the presidential residence in the capital of Naypyidaw, Thein Sein turned to Hideo Watanabe, 78, a Japanese politician with an enduring interest in Myanmar. The new president offered a deal: Japan could develop a special economic zone at Thilawa, a spot near both Myanmar's largest city and a port on the Indian Ocean — if it came up with the money.

"I told him I would figure something out," recalled Watanabe, a former cabinet minister and top aide to ex-Japanese Prime Minister

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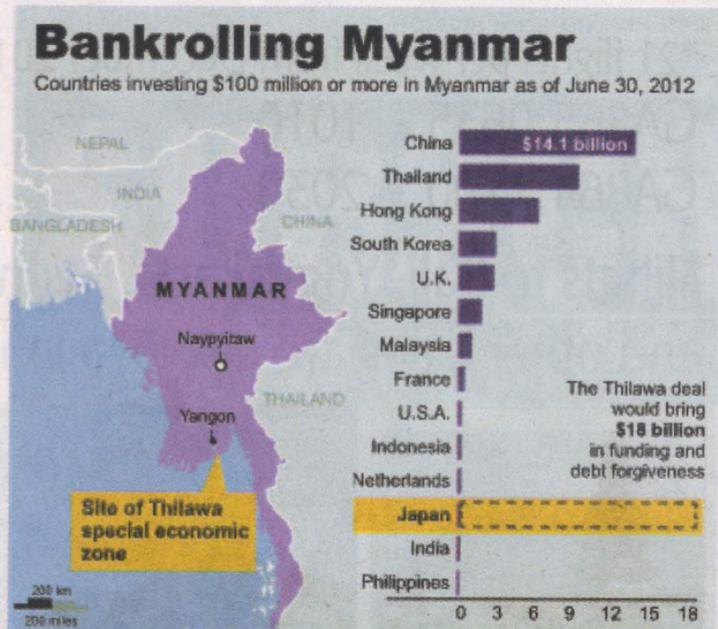
How Japan Inc stole a march in Myanmar

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Yasuhiro Nakasone. Watanabe was as good as his word: a fast-track deal negotiated in less than a year has paved the way for Japan to provide at least US\$18 billion in aid, investment and debt forgiveness from government and private sources.

In addition to this deal, Reuters has learned that Japan will provide as much as \$3.2 billion in new lending to build another special economic zone and deep-sea port at Dawei, in southern Myanmar, which would be developed into Southeast Asia's largest industrial complex.

Overnight, the deals have made Japan a big player in the opening-up of Myanmar. The part of the Thilawa package that includes debt forgiveness and refinancing adds up to nearly \$5 billion, dwarfing the \$76 million in



Note: U.K. figures include British Virgin Islands, Bermuda Islands and Cayman Islands.
Source: Myanmar Central Statistical Organization.

This graphic shows foreign direct investment in Myanmar and a locator of the Thilawa economic zone. REUTERS

aid from the US in 2011 and 2012 and a two-year package of \$200 million the European Union has pledged.

In reconstructing how Japanese government and business leaders moved from cautious re-engagement with

Myanmar to a gold-rush embrace over the past year, Reuters spoke to more than 50 officials, executives and politicians involved in the effort on both sides.

They described how a small group of well-connected Japanese pushed Tokyo's bureaucracy and aid agencies to fast-track key decisions, even as Myanmar's laws on investment were still being debated in its nascent parliament.

At stake is influence in Asia's last frontier market. The Japanese pounced as Myanmar's leaders were looking for allies to blunt China's enormous influence.

Japan's push back into Myanmar has vaulted it ahead of the US and the European Union, which have been more cautious in unwinding trade and investment restrictions that were put in place during the 1990s.

One likely result is a big

leg-up for Japanese trading houses, banks, contractors and engineering firms.

"We are lucky because the US was kind enough to introduce economic sanctions — that's why Western financial firms so far have no presence in Myanmar," Shigeto Inami, who manages Myanmar operations for the Daiwa Institute of Research, said.

The think tank runs Myanmar's tiny stock exchange and plans to transform it into a thriving bourse by 2015.

US and European diplomats have said they don't necessarily see the Japanese win as disadvantageous to Western multinationals.

Washington had been urging allies, including Tokyo, to enter Myanmar to buttress the economy and thereby the reformist wing of the military-backed government, a senior State Department official said. REUTERS