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No. 225

14 March 2016

## **AIMING FOR INCLUSIVE GROWTH IN MYANMAR**

***Aiko Doden***

- Myanmar's first democratically elected parliament will be tested as to whether or not it can deliver on the promise that it made to the nation of securing change in Myanmar.
- All eyes are on Myanmar as a potential investment destination, but the country has yet to achieve inclusive and equitable growth.
- While it is imperative for the government to take the initiative in tackling the challenges that the country faces, there are roles for the private sector to play, too, in bringing about more inclusive growth.

*The views expressed in this piece are the author's own and should not be attributed to The Association of Japanese Institutes of Strategic Studies.*

### <NLD wins a landslide victory in a historic election>

Myanmar's opposition party the National League for Democracy, led by the democracy icon Aung San Suu Kyi, won a landslide victory in the November 2015 elections. Foreign reporters were upbeat and went live from every street corner in Yangon. This would have been a commonplace sight in Tokyo or New York, but in Yangon it was surreal. Under the military regime in the early 2000s, live broadcasts were unthinkable when even small mobile phones had to be "temporarily checked-in" upon entry at the airport until departure from the country. The election has ushered in a new era for Myanmar's first democratically elected parliament in more than 50 years to govern the country. What the new era will look like is the next question.

Voters cast their ballot with high hopes that the NLD will provide solutions to the problems that they are facing. One NLD senior member confided in me, "Expectations are high, almost too high." He was fully aware that, if expectations exceed reality on the ground and the NLD fails to deliver, disappointment will quickly seep in.

### <Myanmar's challenges and Japan's roles>

From writing off nearly \$2 billion in debt and extending new aid to delivering humanitarian aid for conflict-affected peoples and proposing comprehensive economic policy support to the Myanmar government, Japan has been a consistent partner for Myanmar with the aim of engaging the people of Myanmar. Most recently in January 2016, Foreign Minister Kishida conveyed a message to senior NLD officials that Japan will further accelerate aid to Myanmar during the transition because the success of the new government will positively impact the peace and prosperity of Myanmar.

Japan's policy so far is in line with Prime Minister Abe's growth strategy and will ensure Japanese firms gain access to Myanmar. However, when he chose to visit the countries of Southeast Asia at the very beginning of his term in 2013 "to expand the horizons of Japanese diplomacy," Mr. Abe also drew attention to the concept of human security, and stressed the human-centred approach to security that Japan has nurtured over the years. If his contention still

holds valid, it is in this context of human security that Japan should aspire to contribute to bringing about positive changes in this Southeast Asian nation.

While investors are fascinated at the opportunities that Myanmar may provide, the challenges are daunting. According to the Asian Development Bank, 25.6% of the population lives below the poverty line, and nearly 85% of the poor live in rural areas. Myanmar's per capita GDP is \$1259, a mere 1/40 that of Singapore. With disparities becoming more apparent, it is imperative that the country's growth become both inclusive and equitable so that no one is left behind.

"It is not the lack of money; it is the lack of distribution (of wealth)" said one senior NLD Economic Committee member when the delegation visited Japan in January 2016. The committee was invited by The Nippon Foundation, a Japanese non-profit grant organization, and the visit was arranged in close consultation with the NLD and Japan's Ministry of Foreign Affairs. The one-week programme consisted of discussions at the Ministry of Finance, METI, Keidanren, and JICA as well as visits to farms and factories.

There are some who suggest that Aung San Suu Kyi and her party may still harbour bitter feelings towards Japan because Japan did not act in concert with the Western powers in imposing sanctions on the military government for the lack of progress in democracy. However, Aung San Suu Kyi has already brushed that concern aside by saying that she and her party are capable of building even better relations with Japan than the military government when it is their turn to rule the country. The time has perhaps come for both countries to be practical and pragmatic in jointly designing the future of Myanmar.

<Towards more inclusive growth>

While governments are the primary actors in tackling the disparity issue and bringing about more inclusive growth, the private sector is increasingly coming on board, too. Private-sector actors are aware that inclusive and sustainable growth will eventually translate into more consuming power, making their businesses sustainable. One such example is Yakult, a popular probiotic yoghurt drinks company in Japan that now operates factories in over 30

countries across the world, producing as many as 25 million bottles of drinks per day. Targeting emerging markets in Asia and beyond, the drinks are sold at affordable prices of less than 20 cents per 80ml bottle. The next obvious addition to the list of factories is Myanmar.

During a factory visit in Ibaraki, north of Tokyo, one newly elected NLD MP posed a question not about the product itself, but about what is known as the “Yakult Ladies scheme.” This is a scheme devised by the company whereby sales ladies hawk probiotic yoghurt drinks, usually on a bicycle or a push cart, and in some cases earn more than the minimum wage in countries such as Indonesia. The point she was making was that this scheme, if introduced, might have a transformative impact on society by creating jobs and empowering women in the rural areas of Myanmar. The scheme will bring jobs to rural areas where employment opportunities are particularly scarce during the agricultural off-season. Unskilled women who might otherwise be left behind can be hired, coached and trained by the firm to equip them with sufficient knowledge to sell yoghurt drinks and generate income. The newly elected NLD MP was already visualizing women in rural areas on their bicycles selling drinks and managing businesses where supermarkets have yet to reach.

Another example is Panasonic, a Japanese electronics mega-company that subsequently started donations and sales of their Solar LED Lantern offering a charger function for mobile phones and other devices. Myanmar has one of the lowest electrification rates in the world; only 33% of the population has an electricity connection. This means that schools and clinics have had to operate with little or no electricity.

At the household level, LED lanterns are expected to help improve people’s quality of life by providing cleaner and safer light than kerosene lamps, which pose fire hazards and cause health problems by emitting toxic fumes. On a macro level, a lack of power may not only hamper Myanmar’s economic transition, but also inhibit industrial infrastructure development and dampen job growth. Further progress towards inclusive growth in Myanmar means addressing fundamental energy disparities, and small LED lanterns have become part of the solution.

. The number of Japanese companies registered at the Japanese Chamber of Commerce in Myanmar now stands at 293, up from just 53 in 2011. Firms by their nature are profit-maximizing entities, but they have become aware that growth that is neither inclusive nor equitable will provide a recipe for instability. Myanmar's economic growth rate is projected by the World Bank to be 7.8% in 2016, its economy performing much better than those of other Southeast Asian countries. What is critical, though, is whether or not growth in this new era will be inclusive. To answer that question we have to be able to visualize the faces of the Myanmar people who deserve to enjoy the dividends of change after years of perseverance. 

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